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COMPILED AND EDITED BY

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Bulletin No. 45



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PREFACE

This bulletin of copyright decisions is the twenty-ninth in a series compiled by the Copyright Office for official and public use, covering the period 1909 to 1981. This series is now supplemented with a special set of four volumes covering the period 1789 to 1909, consisting of three volumes of decisions together with an Analytical Index, and numbered Bulletins 13 through 16. Volume 45 contains substantially all Federal and State copyright cases, as well as cases involving related subjects in the field of intellectual property, reported during the calendar year 1981.

The first citation listed under the name of the case is the source from which the case was reprinted. Most of the citations are to the *National Reporter System*, issued by the West Publishing Company, and the *United States Patents Quarterly*, published by the Bureau of National Affairs, Inc. The publishers of these reporters have kindly granted permission to use their syllabi and these are printed in full to facilitate the work of those who consult the bulletins. "See also" references, enclosed in brackets, have been added to assist in referring to earlier or subsequent phases of the same or connected litigation.

A supplemental list of decisions, which do not directly involve copyright, but which may be of related interest, are included in the appendix of the bulletin. Certain features of these cases have been summarized by Mark A. Lillis, Attorney for Research Programs. Citations are given to reporter systems in which the cases as reported may be found.

DAVID LADD
Register of Copyrights

DANIEL J. BOORSTIN
The Librarian of Congress

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DECISIONS OF THE UNITED STATES COURTS INVOLVING COPYRIGHT 1981

BULLETIN NO. 45

ABKCO MUSIC, INC., Plaintiff, v. **HARRISONGS MUSIC, LTD.**,
Harrisons Music, Inc., George Harrison, Apple Records, Ltd., Apple
Records, Inc., Broadcast Music, Inc., and Hansen Publications, Inc.,
Defendants, v. **ABKCO INDUSTRIES, INC.** and Allen Klein, Additional
Parties with Respect to the Counter-Claims

No. 71 Civ. 602

(United States District Court, S. D. New York—February 19, 1981)

508 F. Supp. 798

[See also *Bright Tunes Music Corp. v. Harrisongs Music, Ltd.*, 420 F.Supp. 177, 40 C.O.Bull. 208 (S.D.N.Y., Aug. 31, 1976—*As amended*, Sept. 1, 1976); 722 F.2d 988, 221 USPQ 490, 47 C.O.Bull.____ (2d Cir.—*Affirmed with modification and remanded*, Nov. 3, 1983)]

Action was brought to recover for alleged copyright infringement of a song. The liability issue having been determined, 420 F.Supp. 177, hearings were scheduled to determine damages. Following such hearings, the District Court, Owen, J., held that where following discharge the exclusive business manager for the infringing composer during period in which claim of infringement was first asserted intruded into settlement negotiations and the former manager offered to buy copyright at a figure leading plaintiff to conclude that level of negotiations was too low, although its counsel regarded settlement offer as a “good one,” and former manager covertly furnished plaintiff with certain of defendant’s financial schedules it had acquired during its employ, such constituted a breach of duty to former employer and former manager, which had acquired copyright, was not entitled to profit from its conduct and its recovery was limited to cost of acquisition.

Damages determined.

1. Copyrights and Intellectual Property

Although not susceptible to quite the precision one might prefer, since a reasonable determination of total earnings allocable to copyright infringing song could be made, such was an appropriate item of damage for subconscious plagiarism.

2. Copyrights and Intellectual Property

Results of performing rights society’s monitoring of air play of each song included on album containing copyright infringement song were entitled to substantial weight in determining performance royalties in computing damages for subconscious infringement as they were the basis on which society paid performing royalties on its catalogue.

3. Copyrights and Intellectual Property

Where by a ratio of 16 to one disc jockeys played copyright infringing song more frequently than song on single record’s flip side and with respect to album containing 22 songs, disc jockeys played the infringing song 70% of the time they aired any song from the album, 70% of the total mechanical royalties earned by the single were attributed to the infringing song in

determining damage award and 50% of mechanical royalties earned by the album were attributed to such song.

4. Copyrights and Intellectual Property

Evidence warranted conclusion that three fourths of copyright infringing song's success was due to plagiarized tune and one fourth to other factors, such as the words and popularity and stature of the infringer in the particular field of music and, hence, three fourths of total gross earnings could be attributed to the music for purpose of fashioning damages award.

5. Principal and Agent

Where following discharge the former exclusive business manager for infringing composer during period in which claim of infringement was first asserted intruded into settlement negotiations and the manager offered to buy copyright at a figure leading plaintiff to conclude that level of negotiations was too low, although its counsel regarded settlement offer as a "good one," and former manager covertly furnished plaintiff with certain of defendant's financial schedules it had acquired during its employ such constituted a breach of duty to former employer and former manager, which acquired copyright, was not entitled to profit from its conduct and its recovery was limited to cost of acquisition.

6. Principal and Agent

To preclude former business manager, who had intimate knowledge of infringer's financial affairs and records, who intruded into settlement process and who acquired copyrights to the infringed tune, from benefiting from its actions, which were to the detriment of his former client, it was not necessary that the client show that a settlement was at hand but merely, as was proven, that good faith negotiations were in progress and that given the position of each of the parties, one would conclude that the eventual settlement was a reasonable possibility.

Pryor, Cashman, Sherman & Flynn, New York City, for ABKCO Music, Inc. and ABKCO Industries, Inc. and Allen Klein; Gideon Cashman, James A. Janowitz, Donald S. Zakarin, New York City, of counsel.

Santora, Shenkman & Kushel, New York City, for all defendants except Hansen Publications, Inc.; Joseph J. Santora, New York City, of counsel.

Barovick, Konecky, Braun, Schwartz & Kay, New York City, for Hansen Publications, Inc.; Richard Z. Lehv, David S. Rosenthal, New York City, of counsel.

Cleary, Gottlieb, Steen & Hamilton, New York City, for Apple Records Limited and Apple Records, Inc.; Albert S. Pergam, New York City, of counsel.

OPINION

OWEN, *District Judge*. In this action by Bright Tunes Music Corporation for infringement of its copyright in the 1963 hit song "He's So Fine", I earlier concluded that defendant George Harrison had subconsciously plagiarized "He's So Fine" in arriving at the melody of his hit song, "My Sweet Lord", in 1971. *Bright Tunes Music Corp. V. Harrisongs*

Music, Ltd. 420 F.Supp. 177 (S.D.N.Y.1976). I thereafter scheduled hearings to determine the damages flowing from that infringement and the parties responsible therefor, and extensive discovery commenced. Prior to the date for hearings, however, Bright Tunes sold, for \$587,000.00, its copyright in "He's So Fine" and its rights in this litigation to ABKCO Music, Inc., of which Allen B. Klein, the "ABK" of ABKCO, is the moving spirit, owner, and principal officer. This immediately caused strong reaction from the Harrison interests¹ because ABKCO had been the exclusive business manager for George Harrison and his musical interests from November, 1970 to March 13, 1973,² the period in which the claim of infringement was first asserted.

Upon ABKCO being substituted as plaintiff herein, the Harrison interests amended their pleadings to assert, in one form or another, a breach of fiduciary duty by ABKCO, which, according to Harrison, disqualifies ABKCO from recovering in this action.

Testimony has now been taken on both the issue of damages and the question of ABKCO's disqualification. While I am of the view that ABKCO's conduct from 1975 to 1978 limits its recovery herein, *see infra*, it is nonetheless appropriate to determine first what the recovery would have been had ABKCO not become the plaintiff in the way it did, and to set forth the court's findings accordingly, albeit in somewhat summary fashion.

The earnings of the song "My Sweet Lord" have come from four principal sources: mechanical royalties,³ performance royalties,⁴ the sale of sheet music and folios and the profits of Apple Records, Inc., the Harrison-owned manufacturer of the principal recordings of "My Sweet Lord".

[1,2] Mechanical royalties attributable solely to "My Sweet Lord" total \$260,103. Plaintiff contends that it is also entitled to some portion of the mechanical royalties Harrison received for the relatively unsuccessful songs on the same discs with "My Sweet Lord" which, it argues, would not have been earned but for the unusual popularity of "My Sweet Lord". In

¹The "Harrison interests" include Harrisongs Music Ltd., Harrisongs Music, Inc., George Harrison, Apple Records, Ltd., and Apple Records, Inc.

²ABKCO was discharged in March of 1973, triggering bitter litigation which was eventually settled for \$4.2 million.

³A mechanical royalty is an amount per record payable by a manufacturer of a recording to the music publisher who licenses the use of the song on the record. When a record is made with a second song on the reverse side (a "single"), a separate mechanical royalty is payable for that second song as well.

⁴Performance royalties are monies payable to the publisher and writer generated by the public performance of the composition and generally associated with radio broadcasts. In this case, Broadcast Music, Inc. (BMI), a performing rights society, was charged with the responsibility of collecting money from users of "My Sweet Lord" and paying said royalties.

assessing plaintiff's argument, two things must be kept in mind. First, on the single record, the song "My Sweet Lord", a hit, was teamed with "Isn't It a Pity", a non-hit; on the twelve-inch album, "All Things Must Pass", "My Sweet Lord" was one of twenty-two Harrison songs, only one other of which achieved even modest popularity. Second, exactly the same mechanical royalty is payable to Harrison for each of his songs on any given record, whether memorable or not. Common sense dictates that a hit song contributes more to the sale of a record than does a less popular song. In such circumstance, mechanical royalties paid to a composer for a less-than-memorable song on the record are, in fact, earned by the memorable song which has caused the public to purchase the record. While not susceptible to quite the precision one might prefer, a reasonable determination of the total earnings allocable to "My Sweet Lord" can be made here and is an appropriate item of damage for the court to award.⁵ *Lottie Joplin Thomas Trust v. Crown Publishers, Inc.* 456 F.Supp.531 (S.D.N.Y.1977), *aff'd* 592 F.2d 651 (2d Cir. 1978).

⁵This can be done on the basis of the BMI monitoring of air play by disc jockeys of each of the Harrison songs that were included on the album "All Things Must Pass". The results of this monitoring are entitled to substantial weight for they are the basis on which BMI pays performing royalties on its catalogue.

That monitoring, over the five-year period from December, 1970 to December 1975 for the twenty-two Harrison songs on the album "All Things Must Pass", shows the following relative percentages of air play:

COMPOSITION	PERCENTAGE
I'D HAVE YOU ANYTIME	
MY SWEET LORD	70%
WAH-WAH	1%
ISN'T IT A PITY	4%
WHAT IS LIFE	20%
IF NOT FOR YOUR	
BEHIND THAT LOCKED DOOR	
LET IT DOWN	
RUN OF THE MILL	
BEWARE OF DARKNESS	1%
APPLE SCRUFFS	1%
BALLAD OF SIR FRANKIE	
AWAITING ON YOU	1%
ALL THINGS MUST PASS	1%
I DIG LOVE	1%
ART OF DYING	
HEAR ME LORD	
OUT OF THE BLUE	
IT'S JOHNNY'S BIRTHDAY	
PLUG ME IN	
I REMEMBER JEEP	
THANKS FOR THE PEPPERONI	
	100%

[3] I turn first to the earnings of the single. By a ratio of sixteen to one disc jockeys played “My Sweet Lord” more frequently than the song on the single’s flip side, “Isn’t It a Pity”. With respect to the album “All Things Must Pass”, containing twenty-two songs, disc jockeys played “My Sweet Lord” seventy percent of the time that they aired any song from the album. I therefore find that, conservatively, seventy percent of the total mechanical royalties earned by the single were attributable to “My Sweet Lord”⁶ In addition, I find, again calculating conservatively, that fifty percent of the mechanical royalties earned by the album “All Things Must Pass” are attributable to “My Sweet Lord”.

The album entitled “The Best of George Harrison” is another matter. The trial record provides me with no guidance as to the relative popularity of a number of the album’s songs. Since this album was issued several years after the initial release of “My Sweet Lord”, has a number of different songs, and is entitled “The Best”, I conclude that these are all songs with substantial popularity. With respect to “The Best of George Harrison”, therefore, I find that plaintiff has failed to establish that “My Sweet Lord” earned more than its own mechanical royalties.

The foregoing findings yield the following calculation of gross earnings by “My Sweet Lord” from mechanical royalties: from the single, \$54,526.00; from the album “All Things Must Pass”, \$588,188.00; from “The Best of George Harrison”, \$6,887.00; for a total of \$646,601.00.⁷

Performance royalties, which came solely from BMI figures, total \$359,794.00, and sheet music earnings total \$67,675.00

Apple Records, Inc., the Harrison-owned manufacturer of his records, has a “spread”⁸ on the manufacturing of records, which constitutes earnings to Harrison. Applying the ratios comparing the air play given “My Sweet Lord” to the air play of the various other Harrison songs. i.e., the ratios used above to calculate mechanical royalties, *see supra*, I find that Apple’s earnings from the “spread” that are attributable to “My Sweet Lord” are: from the single, \$130,629.00; from “All Things Must Pass”,

⁶While the BMI monitoring provides good evidence of the disc jockeys’ collective opinion as to popularity, and this may well accurately mirror the public’s opinion, other factors may conceivably have influenced sales. Such factors may include, for example, the display of a new Harrison release at the record store. These other possible factors cause me to regard the BMI figures as “some evidence” of popularity, but not absolutely binding upon me.

⁷Canadian royalties are included. The lacquer masters, art work, packaging and licenses were all prepared in the United States. *Sheldon v. Metro-Goldwyn Pictures Corp.*, 106 F.2d 45 (2d Cir. 1939), *aff’d* 309 U.S. 390, 60 S.Ct 681, 84 L.Ed 825 (1940); *Famous Music Corp v. Seeco Records, Inc.* 201 F.Supp. 560 (S.D.N.Y.1961).

⁸A spread is the difference between the price Capital Records Inc. charged Apple to press a record and the price at which Apple sold the finished record to Capital Records Distributing Corp.

\$925,731.00; and from "The Best of George Harrison", \$21,598.00;⁹ for a total of \$1,077,958.00.

The total gross earnings of "My Sweet Lord" as calculated above are \$2,152,028.00. From this total the Harrison interests contend there must be deducted a number of expense items, which I now treat *seriatim*. The Euro-Atlantic management fee, legal and professional fees, certain salaries, certain telephone expenses, United States public relations and promotions, and certain income taxes, are all disallowed. Basically, Harrison has not proven, even with minimum specificity, that those expenses are attributable to "My Sweet Lord". A certain twenty percent ABKCO commission already paid to ABKCO and the three and one-quarter percent commission paid to Harry Fox Agency, totalling \$18,712.00, are both allowed, thereby reducing the total earnings figure set forth above to \$2,133,316.00.

[4] Next, I must determine the portion of the above income which should be attributed to factors, other than the plagiarized music, affecting public interest in the song "My Sweet Lord".¹⁰ Several matters must be considered. Harrison, an artist with an international "name," supplied his own text. How much of the income is attributable to the text, to the selling power of his name? Although this is not an area susceptible to precise measurement, I conclude that three-fourths of "My Sweet Lord's" success is due to plagiarized tune and one-fourth to other factors, such as the words and the popularity and stature of George Harrison in this particular field of music.¹¹ I weigh the music heavily in this case because the music had already demonstrated its outstanding "catchiness" in 1963 when it carried the rather unexceptional, romantic text of "He's So Fine" to first place on the Billboard charts in the United States for five weeks.

Given all the foregoing, I conclude that \$1,599,987.00 of "My Sweet Lord's" earnings are reasonably attributable to the music of "He's So Fine".

Now, however, I must turn to the troublesome question of whether ABKCO may be awarded the amount calculated above or whether its conduct vis-a-vis Harrison, its former employer, regarding this very litigation in any manner limits or destroys its right of recovery.

As has been stated earlier, in the years 1971-73, Allen B. Klein, through ABKCO, the present plaintiff, was the overall business manager of George

⁹I decline to award statutory "in lieu" damages as to "The Best of George Harrison."

¹⁰Had I earlier found that Harrison deliberately plagiarized the music, I would award the entire earnings of "My Sweet Lord." See *Shapiro, Bernstein & Co., Inc. v. Jerry Vogel Music Co., Inc.* 115 F.Supp. 754 (S.D.N.Y.1953), *rev'd on other grounds*, 223 F.2d 252 (2d Cir. 1955).

¹¹In this case I conclude that the much-touted "hook,"—an introductory musical motive used by Harrison—was a minimal factor.

Harrison and his musical interests. ABKCO took care of all the financial matters, including negotiating contracts and keeping the financial books and records. For these services ABKCO was paid twenty percent of the gross income from the Harrison ventures. As Harrison's business manager, Klein obviously was aware of both the artistic and financial success of "My Sweet Lord". It was during ABKCO's tenure as business manager that this suit was commenced by Bright Tunes. It was ABKCO that obtained an opinion from musicologist Harold Barlow as to the suit's lack of merit.¹² ABKCO's thereafter engaged experienced counsel in New York City to defend; all of these actions were taken before ABKCO's own services were terminated by Harrison in March 1973. I do not find that any of the steps taken by ABKCO, while acting as Harrison's business manager, to defend this action were in any way inappropriate or other than in good faith.

More troublesome, however, is Klein's covert intrusion into the settlement negotiation picture in late 1975 and early 1976, immediately preceding the trial on the merits. At this crucial time Harrison made a settlement proposal which, at the time, Bright Tunes' lawyer regarded as "a good one". Unknown to Harrison, Klein, at that point still involved in bitter post-firing litigation with Harrison, made a substantially higher offer to purchase Bright Tunes' claim on behalf of ABKCO, thereby causing Bright Tunes to conclude that the level at which it had been negotiating with Harrison was far too low.¹³ Bright Tunes reached this conclusion, in part, on the not-unjustified assumption expressed by one of its principals, that Klein, known to Bright Tunes as Harrison's former business manager "may be in a better position to judge whether the [infringement litigation] will be successful than we are."¹⁴

Thereafter, Harrison's unwillingness to discuss a larger settlement and Klein's failure to better ABKCO's offer—Bright Tunes viewed that offer merely as an "opener"—necessarily forced the case to trial on the merits. Harrison, after the trial, made no further serious efforts to deal with Bright Tunes' higher demands and the claim was finally bought by ABKCO in 1978 for a sum more than double Klein's own first offer.

¹²Mr. Barlow later testified at the trial. Although the court found his testimony in this case unpersuasive, this in no way detracts from the appropriateness of ABKCO's utilizing his services, for Mr. Barlow is a highly knowledgeable musicologist.

¹³Harrison's offer was \$148,000 to settle only the question of damages arising from alleged copyright infringement in the United States. Klein's offer was \$100,000 for a call on 100% of the Bright Tunes' stock—thus a world-wide settlement—exercisable for an additional \$160,000, in the event of a finding in favor of Bright Tunes at the liability trial. I note that Klein, in fact, bought Bright Tunes' rights in "He's So Fine" in 1978, after the finding of infringement, for \$587,000. See, *infra*.

¹⁴Letter of Tenenbaum, Receiver of Bright Tunes, to Barash, a major stockholder of Bright Tunes, December 3, 1975.

[5, 6] I conclude that ABKCO's intrusion into and interference with Harrison's 1975 and January 1976 settlement efforts were to the probable detriment¹⁵ of its former client. This is particularly so since Klein's proposals were regarded by Bright Tunes as being highly credible, i.e., based on Klein's intimate knowledge gleaned from his former relationship to Harrison. This impropriety was further compounded by the fact that in December, 1975, in the course of his discussions and in an effort to support his proposal, Klein covertly furnished Bright Tunes with certain of Harrison's financial schedules which he had acquired while Harrison's business manager. ABKCO now seeks to avoid the impact of this conduct by arguing that Bright Tunes, in any event, would have been entitled to this information in the course of discovery. At the time this information was furnished by Klein, however, Bright Tunes had not yet prevailed on the liability issue and was therefore not entitled to this information. Consequently, its submission by Klein to Bright Tunes at that time was impermissible. These actions, in my judgment, constituted a breach of ABKCO's duty to Harrison which is not to be rewarded by this court. See *Byrne v. Barrett*, 268 N.Y. 199, 197 N.E. 217 (1935) and *Group Association Plans, Inc. v. Colquhoun*, 466 F.2d 469 (D.C. Cir.1972).

While one cannot be certain on this record that Harrison would have been able to settle the plagiarism action prior to trial "but for" ABKCO's conduct, and while the contemporaneous letters of Seymour Barash, the major stockholder of Bright Tunes, reveal an attitude toward the case which might, in the final analysis, have gotten in the way of a settlement, it is nonetheless clear that good faith negotiations were going on and that the pending offer by Harrison was regarded by the attorney for Bright Tunes as a reasonable one. It is also evident that ABKCO's higher offer to purchase the claim for its own account supported as it was by ABKCO's intimate knowledge of Harrison's financial affairs and records of the earnings of Harrison and Apple Records, was viewed by Bright Tunes as an insider's disclosure of the value of the case. Klein's conduct, in any event, changed Bright Tunes' attitude toward the Harrison proposal. This intrusion irreparably destroyed the ability of Harrison to further negotiate a settlement in a range that Bright Tunes' lawyer had already determined to be "good."

I therefore conclude that ABKCO is not entitled to profit from its eventual purchase of all Bright Tunes' rights in "He's So Fine"—essentially Bright Tunes' only asset. *In Re McCrory Stores Corp.*, 12 F.Supp. 267, 269 (S.D.N.Y.1935). On the other hand, I also conclude that ABKCO is

¹⁵I do not believe that under the circumstances Harrison must show that a settlement was in hand, but merely, as has been proven, that good faith negotiations were in progress and that given the position of each of the parties, one would conclude that an eventual settlement was a reasonable possibility.

not required to forfeit the cost of its acquisition. Had it been shown that Bright Tunes and Harrison were realistically close to a specific figure in their settlement negotiations, I could have utilized such a figure for the resolution of the issue here; absent such proof, I deem the figure at which ABKCO did purchase Bright Tunes' rights in "He's So Fine" to be the appropriate one. I therefore direct that plaintiff ABKCO is to hold the fruits of its acquisition of April 13, 1978 in trust for the Harrison interests to be transferred to Harrison or an appropriate designee upon the payment of \$587,000.00¹⁶ together with interest from the date of acquisition for which amount plaintiff shall have judgment. Further relief by plaintiff against the Harrison interests is denied. The claims against Broadcast Music, Inc., and Hanson Publications, Inc. are dismissed. The counterclaims asserted against ABKCO Industries, Inc., and Allen Klein are dismissed. The foregoing constitutes the court's findings of fact and conclusions of law.

Settle order and judgment effectuating the foregoing.

ALMANAC MUSIC, INC. et al. v. DEL MONTE

No. CIV-79-503

(United States District Court, W. D. New York — Decided June 16, 1981)

217 USPQ 1088

Action by Almanac Music, Inc., Robbins Music Corporation, Chappell & Co., Inc., Warner Bros., Inc., Southern Music Publishing Co., Inc., Shapiro, Bernstein & Co., Inc., Blendingwell Music, Inc., and American Broadcasting Music, Inc., against Samuel Del Monte, doing business as, West Winds Restaurant and Lounge, for copyright infringement. On plaintiff's motion for recovery of fees and costs. Motion granted.

COPYRIGHTS

1. Costs — In general

Costs — Attorney's fees

Motion to recover fees and costs in copyright infringement action is addressed to the court's discretion.

¹⁶ABKCO paid \$422,500.00 to Bright Tunes and an additional \$165,000.00 to the composer's heir; the latter sum was paid partly in cash and partly to purchase a nine-year \$15,000.00 annuity for heir's benefit.

Benjamin J. Ferrara, David D. Peebles, and Hancock, Estabrook, Ryan, Shover & Hust, all of Syracuse, N.Y., for plaintiffs
Robert M. Murphy, Buffalo, N.Y., for defendant.

ELFVIN, *District Judge*. This is an action for copyright infringement under the Copyrights Act, 17 U.S.C. §101 et seq. In a Memorandum and Order filed May 4, 1981, I granted plaintiff's motion for summary judgment. I also indicated that upon an appropriate showing plaintiffs would be entitled to recover costs and attorney's fees incurred in connection with this action. 17 U.S.C. §505.

Plaintiffs filed a motion for recovery of fees and costs May 21, 1981. Plaintiff's attorneys, David E. Peebles, Esq. and Benjamin J. Ferrara, Esq. have submitted a joint affidavit in support of the motion. Their joint affidavit indicates that they expended a total of 20.75 hours in connection with this case and that a proper and customary fee for services of the type rendered by them is \$75 per hour. Accordingly, they request an award of \$1,556.25 in attorney's fees. They also seek to recover \$93.75 in disbursements and \$21.60 in costs. Defendant has not opposed the motion for recovery of fees and costs.

[1] A motion to recover fees and costs in copyright infringement action is addressed to the court's discretion. I have concluded that an award of fees and costs is appropriate in the current action. However, it appears that counsel's request for an award of fees totaling \$1,556.25 is somewhat excessive. Plaintiff's motion for summary judgment was unopposed, and defendant had failed to respond to plaintiffs' Request for Admissions. Moreover, plaintiffs' total recovery was limited to \$1,500. In such circumstances, I believe an award of \$1,000 as attorney's fees is appropriate.

Therefore, plaintiffs' motion for an award of fees and costs is hereby ORDERED granted. Plaintiff's are entitled to recover a total of \$1,115.35 in attorney's fees, costs and disbursements. The Clerk is hereby ORDERED to enter judgment as follows.¹ (1) judgment in the amount of \$250 shall be entered in favor of each of the plaintiffs Almanac Music, Inc., Robbins Music Corp. Chappell & Co., Inc., and Warner Bros., Inc.; (2) judgment in the amount of \$250 shall be entered in favor of the plaintiffs Southern Music Publishing Co., Inc., and Shapiro, Bernstein & Co., Inc., jointly; (3) judgment in the amount of \$250 shall be entered in favor

¹After I had granted plaintiffs' motion for summary judgment, the Clerk entered a "judgment" May 5, 1981. The judgment does not specify the relief to which plaintiffs are entitled. Because my Memorandum and Order expressly raised the possibility that plaintiffs might recover fees and costs, judgment should not have been entered pursuant thereto unless plaintiffs had failed to move for an award of fees and costs within the twenty-day period prescribed in the Memorandum and Order.

of the plaintiffs Blendingwell Music, Inc. and American Broadcasting Music, Inc. jointly; and (4) judgment in the amount of \$1,115.35 shall be entered in favor of all of the plaintiffs jointly.

AMERICAN VITAGRAPH, INC., a Corporation, Lloyd V. Friedgen, Jr., and William J. Gleason, Plaintiffs-Appellees, v. Ronald R. **LEVY**, M.D., and Cinamco, Inc., a Corporation, Defendants-Appellants

No. 79-3555

*(United States Court of Appeals, Ninth Circuit—Argued and Submitted
March 2, 1981—Decided October 23, 1981)*

659 F.2d 1023. 213 USPQ 31

Appeal was taken from declaratory judgment entered by the United States District Court for the Central District of California, Laughlin E. Waters, J., holding that film's copyright protection had been destroyed by acts of divestive publication prior to film's general release. The Court of Appeals, Ely, Circuit Judge, held that: (1) assignment per se is not a publication securing statutory copyright; (2) one week public screening of film, following which film was returned for reediting, was not publication divesting work of its common-law copyright; (3) motion picture publication occurs when prints of a film are made available under a lease or similar arrangement to theatre operators for public exhibition; (4) prerelease screenings to trade did not amount to divestive publication; and (5) although no recording of any assignment of copyright had been made in Copyright Office, where film bore copyright notice in assignee's name at point of film's general release, statutory copyright was then properly secured and assignor's security interest in film was unimpaired.

Reversed.

1. Copyrights and Intellectual Property

Assignment per se is not a publication securing statutory copyright. 17 U.S.C. (1970 Ed.) §§ 10, 26.

2. Copyrights and Intellectual Property

If the "work" assigned has not been published and is therefore protected by common-law copyright, assignee becomes proprietor of copyright, and copyright notice at time of first publication is then required to be in assignee's name. 17 U.S.C. (1970 Ed.) §§ 10, 26, 32.

3. Copyrights and Intellectual Property

If the "work" assigned has statutory copyright, copyright notice affixed to subsequent publications is required to be in the name of the assignor, unless a recordation of the assignment has been made. 17 U.S.C. (1970 Ed.) §§ 10, 26, 32.

4. Copyrights and Intellectual Property

Statutory copyright is destroyed and injects a work into the public domain if it is thereafter published with a defective copyright notice. 17 U.S.C. (1970 Ed.) §§ 10, 26, 32.

5. Copyrights and Intellectual Property

As between general and limited publication, only the former operates to divest common-law copyright and subject a work to the federal statutory scheme. 17 U.S.C. (1970 Ed.) §§ 10, 26, 32.

6. Copyrights and Intellectual Property

Restrictions on circulation of work as to persons and purpose can be implied as well as express for circulation to be called a private or limited publication which does not result in the loss of the author's common-law right to his work. 17 U.S.C. (1970 Ed.) §§ 10, 26, 32.

7. Copyrights and Intellectual Property

Publication resulting in loss of common-law copyright and subjecting work to federal statutory scheme may more readily be found if issue is whether copyright statute has been complied with than if forfeiture of common-law rights is involved. 17 U.S.C. (1970 Ed.) §§ 10, 26, 32.

8. Copyrights and Intellectual Property

Under principle that mere performance or exhibition of a work does not constitute a publication of that work, a motion picture exhibition where the viewing audience is merely permitted to see the work is not a publication. 17 U.S.C. (1970 Ed.) §§ 10, 26, 32.

9. Copyrights and Intellectual Property

One week screening of film to the public, following which film was returned for reediting, was not a "publication" divesting the work of its common-law copyright, notwithstanding that copyright notice in assignor's name was attached to film and that small admission fee was charged, where movie was not distributed at such time to any other exhibitor nor were any copies of film sold, and film that was utilized was not permanent type of film print; copyright notice attached to film was public expression that exhibition was intended to be limited or restricted. 17 U.S.C. (1970 Ed.) §§ 10, 26, 32.

See publication Words and Phrases for other judicial constructions and definitions.

10. Copyrights and Intellectual Property

Motion picture "publication" occurs when prints of a film are made available under a lease or similar arrangement to theatre operators for public exhibition. 17 U.S.C. (1970 Ed.) §§ 10, 26, 32.

11. Copyrights and Intellectual Property

Even if copyright notice was defective, prerelease screenings of film to trade did not amount to divestive publication destroying copyright protection in film where screenings were for limited purposes of generating interest in film among potential film distributors, there was only one print of film extant and such copy was not sold to distributors who viewed film at screenings for further distribution. 17 U.S.C. (1970 Ed.) §§ 10, 26, 32.

12. Copyrights and Intellectual Property

Assignee of common-law copyright was required, as assignee, to use its name in copyright notice at time of publication. 17 U.S.C. (1970 Ed.) § 32.

13. Copyrights and Intellectual Property

Although no recording of any assignment of copyright had been made in Copyright Office, where at point of film's general release it bore copyright notice in assignee's name, statutory copyright was properly secured at point of release, and assignor's security interest in film was unimpaired.

O. R. Rouse, Palos Verdes Estates, Cal., for defendants-appellants.

Keith D. Beecher, Jessup & Beecher, Los Angeles, Cal., for plaintiffs-appellees.

Appeal from the United States District Court for the Central District of California.

Before ELY and ALARCON, Circuit Judges, and TEMPLAR,* District Judge.

ELY, *Circuit Judge*. This is an appeal from a declaratory judgment action, 28 U.S.C. §§ 2201, 2202, involving copyright questions under the 1909 Copyright Act, as amended,¹ 17 U.S.C. §§ 10, 26. Jurisdiction rests under 28 U.S.C. § 1338(a), giving federal courts original jurisdiction of civil actions arising under an Act of Congress relating to copyrights.

This appeal raises important questions concerning what constitutes "publication" of a motion picture under the 1909 Act. Plaintiff-appellee Vitagraph² successfully contended below that copyright protection to the film "Hooray for Hollywood" had been destroyed by acts of divestive publication prior to the film's general release in 1976. We reverse, holding that the alleged divestive acts were not publications and that the film never lost its common law copyright until its publication by general release in 1976. At that time statutory copyright was obtained by publication in compliance with the requisite notice formalities. Accordingly, the film never lost copyright protection, and Vitagraph's contractual claim for damages based on a loss of its security interest is without merit.

*The Honorable George Templar, United States District Judge, District of Kansas, sitting by designation.

¹Under the Copyright Act of 1976, 17 U.S.C. § 101-810, common law copyright is abolished. The Act does not affect rights with respect to causes of action that arose before January 1, 1978, however. 17 U.S.C. §§ 301(a), (b)(2).

²Vitagraph is the wholly-owned corporation of appellees Friedgen and Gleason, the producers of the film. For ease of discussion, we will refer to plaintiffs-appellees as Vitagraph. Cinamco, Inc. is the wholly-owned corporation of appellant Levy. Levy, Friedgen and Gleason had individually entered into a sale-purchase agreement respecting the film and subsequently assigned all rights and interests in the film to their respective shell corporations.

FACTS

I. The Sale-Purchase Agreement

An understanding of the contractual relationship entered into between Vitagraph and Levy is necessary to understand Vitagraph's asserted claim.³ In August of 1975 Vitagraph and Levy entered into a written agreement for the sale of the film to Levy. Part of the consideration received was a non-recourse promissory note to be paid from net income of the film under a percentage points profit allocation arrangement. Vitagraph retained a security interest in the film to secure payment of the note, and in the event of default Vitagraph's sole remedy was to look to the film pledged as security. Under the terms of the agreement, title to the film would also revert in Vitagraph in eight years in the event the note was not paid. Levy obtained all distribution rights to the film, and an assignment of all rights, title, and interest, including copyright, was executed on February 11, 1976.

II. Vitagraph's Asserted Claim

Vitagraph's theory of recovery below and on appeal is that statutory copyright was obtained in its name and subsequently lost when Levy, following the assignment of the film, caused several alleged publications without proper copyright notice. Damages were determined to be those resulting from the loss of value to Vitagraph's security interest in the film occasioned by the injection of the film into the public domain.

DISCUSSION

I. The District Court Reasoning

Vitagraph successfully argued below that statutory copyright was obtained in its name by three separate acts. In December of 1975 Vitagraph delivered to Levy a print of their initial version of the film, which bore copyright notice reading "(c) Copyright American Vitagraph, Inc. 1975". That print was screened to the public for one week in late December 1975

³Most cases raising publication issues arise in the context of infringement suits in which a plaintiff is attempting to show sufficient publication securing statutory copyright so as to bring suit under the federal copyright laws, or where a defendant is interposing as an affirmative defense that the allegedly infringed work is in the public domain due to general publication not in compliance with copyright statute formalities. The situation here, where Vitagraph has retained an interest in the film but is seeking to declare the copyright extinct is highly unusual.

in Eureka, California, and subsequently returned to Vitagraph for additional editing. The District Court held that the Eureka screening constituted an investive publication under 17 U.S.C. §§ 10, 26.⁴ The effects of finding an investive publication are the loss of common law copyright, *Wheaton v. Peters*, 33 U.S. (8 Peters) 591, 8 L.Ed. 1055 (1834); *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339, 347, 28 S.Ct. 722, 725, 52 L.Ed. 1086 (1908); and a resulting limited duration of the statutory copyright being measured from the date of first publication. 17 U.S.C. § 26.

[1-3] The District Court also ruled that the subsequent assignments of the film from Vitagraph to Levy and from Levy to Cinamco, which bore copyright notice in Vitagraph's name, constituted investive publications securing statutory copyright. This conclusion is without legal support. Assignment *per se* is not a publication. If the "work" assigned has not been published and is therefore protected by common law copyright, the assignee becomes the proprietor of the copyright. Copyright notice at the time of first publication is then required to be in the assignee's name. *Dave Grossman Designs, Inc. V. Bortin*, 347 F.Supp. 1150, 1156 (N.D.Ill.1972); 3 *Nimmer on Copyright* § 10.07(D)(2)(a) (1978) (hereinafter *Nimmer*). Conversely, if the "work" assigned has statutory copyright, copyright notice affixed to subsequent publications is required to be in the name of the assignor, unless a recordation of the assignment has been made. 17 U.S.C. § 32 (1909 Act); *Group Publishers v. Winchell*, 86 F.Supp. 573, 576 (S.D.N.Y.1949); *Carter v. Hawaii Transp. Co.*, 201 F.Supp 301, 305 (D.C. Haw. 1961); 3 *Nimmer* § 10.07(D)(2)(b).

[4] Therefore, the finding of statutory copyright in Vitagraph's name rests solely upon the one week screening in Eureka, California. That finding is critical to the outcome of this case. Statutory copyright is destroyed and injects a work into the public domain if it is thereafter published with a defective copyright notice. *National Comics Publications, Inc. v. Fawcett Publications, Inc.*, 191 F.2d 594, 599 (2d Cir. 1951); 1 *Nimmer* § 4.01(B), 2 *Nimmer* § 7.14.

⁴17 U.S.C. § 10 provides that:

"Any person entitled thereto by this title may secure copyright for his work by publication thereof with the notice of copyright required by this title; and such notice shall be affixed to each copy thereof published or offered for sale in the U.S. by authority of the copyright proprietor. . . ."

17 U.S.C. § 26 provides that:

"In the interpretation and construction of this title 'the date of publication' shall in the case of a work of which copies are reproduced for sale or distribution be held to be the earliest date when copies of the first authorized edition were placed on sale, sold, or publicly distributed by the proprietor of the copyright or under his authority. . . ."

Section 26 has long been held to only define the date of publication and not publication itself. *Cardinal Film Corp. v. Beck*, 248 F. 368 (S.D.N.Y.1918); *Hirshon v. United Artists Corp.*, 243 F.2d 640 (D.C.Cir.1957); 1 *Nimmer* § 4.04.

The District Court held, *inter alia*, that the general release of the film in 1976 bearing copyright notice in Cinamco's name injected the film into the public domain because no recordation of copyright assignment had been made. *Group Publishers v. Winchell*, *supra*. If statutory copyright in Vitagraph's name was obtained, the general release in Cinamco's name would divest the film of its copyright.

The District Court also found that several prerelease screenings of the film to the trade were publications requiring compliance with statutory formalities. These screenings, if deemed publications, would result in loss of copyright protection in the film if notice was required to be in Vitagraph's name. As discussed *infra*, these pregeneral release screenings were not acts of general publication, and thus did not divest the film of its copyright.

We disagree with the District Court that the Eureka exhibition was a publication forfeiting common law copyright protection and creating a statutory copyright in favor of Vitagraph. We also disagree that any publication requiring compliance with statutory formalities occurred prior to the film's general release in 1976. We well recognize that the concept of publication under the 1909 Act, especially as it relates to motion pictures, is an arcane and unsettled area of law. Nevertheless, a few well established principles guide our decision here.

[5, 6] Publication, while of immense importance under the 1909 Act, is not statutorily defined. Case law has created a distinction between general and limited publication, holding that only the former operates to divest common law copyright and subject a work to the federal statutory scheme. General publication has been stated to be "such a dissemination of the work of art itself among the public, as to justify the belief that it took place with the intention of rendering such work common property." *American Tobacco Co. v. Werckmeister*, 207 U.S. 284, 299-300, 28 S.Ct. 72, 77, 52 L.Ed. 208 (1907) (quoting *Slater on the Law of Copyright and Trademark* at 92). An oft quoted modern definition of general publication is that "publication occurs when by consent of the copyright owner, the original or tangible copies of a work are sold, leased, loaned, given away, or otherwise made available to the general public, or when an authorized offer is made to dispose of the work in any such manner even if a sale or other such disposition does not in fact occur." 1 Nimmer § 4.04 at 4-18-4-19. A limited publication.

"communicates the contents of a (work) . . . to a definitely selected group and for a limited purpose, and without the right of diffusion, reproduction, distribution or sale . . . (and) does not result in loss of the author's common-law right to his (work) . . . [T]he circulation must be restricted both as to persons and purpose, or it can not be called a private or limited publication."

White v Kimmell, 193 F.2d 744, 746-47 (9th Cir. 1952). The restrictions can be implied as well as express. *Burke v. National Broadcasting Co.*,

Inc., 598 F.2d 688, 692 (1st Cir. 1979); *Werckmeister v. American Lithograph Co.*, 134 F. 321, 324 (2d Cir. 1904).

[7] The courts have treated these two concepts of publication so as to mitigate the harsh forfeiture effects of an improper publication. "From the results of the decided cases, the principle is discernible that it takes more publication to destroy a common-law copyright than to perfect a statutory copyright." *Hirshon v. United Artists Corp.*, 243 F.2d 640, 644-45 (D.C.Cir.1957); see also *American Visuals Corp. v. Holland*, 239 F.2d 740 (2d Cir. 1956). "[I]t takes more in the way of publication to invalidate any copyright, whether statutory or common law, than to validate it." *Hirshon*, *supra* at 645. Vitagraph's theory of recovery hinges on an invalidation of the copyright. The significance of *American Visuals* and *Hirshon* lies in the recognition that publication may more readily be found if the issue is whether the copyright statute has been complied with than if forfeiture of common law rights is involved.

[8] The case law has also drawn a distinction between performance of a work and other means of dissemination. It has long been held that mere performance or exhibition of a work does not constitute a publication of that work. *Ferris v. Frohman*, 223 U.S. 424, 435-36, 32 S.Ct. 263, 266, 56 L.Ed. 492 (1912); *American Tobacco*, 207 U.S. at 300, 28 S.Ct. at 77. Under this principle, a motion picture exhibition where the viewing audience is merely permitted to see the work is not a publication. *Burke*, 598 F.2d at 691, 693; *Patterson v. Century Productions, Inc.*, 93 F.2d 489, 492 (2d Cir. 1937), *cert. denied*, 303 U.S. 655, 58 S.Ct. 759, 82 L.Ed. 1114 (1938); *DeMille Co. v. Casey*, 121 Misc. 78, 201 N.Y.S. 20 (Sup.Ct. 1923); see 1 Nimmer § 4.11(A); Nolan, *Copyright Protection for Motion Pictures: Limited or Perpetual?*, 18 ASCAP Copyr. Law Symposium 174, 181 (1970) (hereinafter Nolan); Sussman, *Copyright Publication, The Motion Picture Distributor and the Copyright Revision Bill*, 15 Bull.Copyr. Soc'y 373 (Aug. 1968).

[9] We now turn to apply these principles to the several screenings here. The Eureka screening, found to support a statutory copyright in Vitagraph's name, was not a publication divesting the work of its common law copyright. That one week screening, following which the film was returned for reediting, was a limited screening to gauge audience reaction to the film. The movie was not distributed at this time to any other exhibitor nor were any copies of the film sold. In addition, the film that was utilized was not the permanent type of film print that is used when a movie is released for general distribution. The copyright notice attached to the film was a public expression that the exhibition was intended to be limited or restricted. The film was not being commercially exploited, although a small admission fee was charged.

Commentators and the case law suggest that under these circumstances an investive publication did not occur. Nimmer states that based on the

“principle that performance is not a publication, it is clear that the projection or exhibition of a motion picture in theatres or elsewhere does not in itself constitute a publication.” 1 Nimmer § 4.11(A) at 4-53. Nolan similarly relies on the performance/publication distinction in stating that “presumably, therefore, the screening of a motion picture either in a public motion picture theatre or over television would not invest statutory protection.” Nolan, *supra* at 181.

[10] Both authors express the view we adopt that motion picture publication occurs when prints of a film are made available under a lease or similar arrangement to theatre operators for public exhibition. 1 Nimmer § 4.11(A); Nolan, *supra* at 182. The case law, however, supporting this proposition is scant and not directly on point.

In *Patterson v. Century Productions* copies of a film were widely exhibited, though without charge. The Court there stated that the film was not published:

This motion picture was not distributed except for exhibition in the strictly limited noncommercial way above described. As the distribution was limited to exhibitions of the picture without charge, no one was given the right to use the copies . . . for any other purpose whatsoever. . . . There was, therefore, no publication. . . .

Patterson, 93 F.2d at 492:

Professor Nimmer expresses what he states to be the prevailing motion picture industry view of this case: “It would seem that the proper inference to be drawn from this case is that where distribution of a film is made on an unrestricted and commercial basis such distribution constitutes a general publication.” 1 Nimmer § 4.11(A). The current Act, 17 U.S.C. § 101, makes clear that “offering to distribute copies” of motion pictures “to a group of persons for purposes of . . . public performance . . . constitutes publication.” H. Report on Copyright Act of 1976, p. 138. We agree with Professor Nimmer that this definition is a codification of the unstated definition of motion picture publication under the 1909 Act.

Only one case, however, lends clear support to this view. In *Blanc v. Lantz*, 83 U.S.P.Q. 137 (Cal.Super.1949), the plaintiff sought damages for the alleged infringement of his common law rights to a musical laugh on the soundtracks of Woody Woodpecker cartoon films. The court there held that the “distribution and exhibition in commercial theatres throughout the world . . . constitutes so general a publication of the contents of the film and its soundtrack as to result in the loss of common law copyright.” *Id.* at 142.

Though we thus hold that the film was protected by common law copyright at the time of its assignment to Levy and Cinamco, we must further determine if any of the pre-release screenings to the trade amounted to general publication prior to the film’s general release. If Cinamco, as

assignee and therefore proprietor of the copyright, caused a publication without proper notice, copyright protection in the film would be destroyed. *Walker v. University Books, Inc.*, 602 F.2d 859, 863 (9th Cir. 1979); 2 Nimmer § 7.03.

[11] This Court finds that no acts of divestive publication took place. The screenings to the trade were apparently for the limited purpose of generating interest in the film among potential film distributors. There was only one print of the film extant, which copy was not sold to the distributors who viewed the film at the screenings for further distribution. The screenings were to a select group and for a limited purpose, to foster interest in the film. *White v. Kimmel*, 193 F.2d at 746-47. Thus, even if copyright notice was defective, such defects do not trigger copyright divestment if, as here, there is no publication. *Heim v. Universal Pictures Co.*, 154 F.2d 480, 487 (2d Cir. 1946).

[12, 13] The District Court's additional reason supporting its conclusion that copyright protection was destroyed was that the general release bearing the copyright notice "(c) Cinamco 1976", although no recording of any assignment has been made in the Copyright Office, in and of itself placed the motion picture in the public domain. This conclusion is wrong as a matter of law. Cinamco, as assignee of the common law copyright, was required to, and properly did, use its name in the copyright notice at the time of publication. See *Dave Grossman Designs, Inc. v. Bortin*, 347 F.Supp. 1150, 1156 (N.D.Ill.1972); 3 Nimmer § 10.07(D)(2)(a). Statutory copyright was then properly secured at the point of the film's general release. Consequently, Vitagraph's security interest in the film is unimpaired and its claim for damages is without merit.

In sum, we hold that, in the context where a forfeiture of copyright protection is at stake, that publication of a motion picture does not occur until the film is in commercial distribution—when copies of a film are placed in the regional exchanges for distribution to theatre operators. The adoption of this rule, generally advocated by commentators and followed by the film industry, is in accord with the underlying policies of the copyright law, and at the same time removes much uncertainty from a difficult and arcane area of copyright law under the 1909 Act.

The judgment below is

REVERSED.

ANTI-MONOPOLY, INC., a California Corporation, Plaintiff, v.
GENERAL MILLS FUN GROUP, INC., a Nevada Corporation,
Defendant-Counterclaimant

No. C-74-0529 SW

United States District Court, N.D. California—May 11, 1981

515 F.Supp. 448. 212 USPQ 748

[See also 195 USPQ 633 (N. D. Cal., Oct. 15, 1976); 195 USPQ 634 (N.D. Cal. Apr. 4, 1977); 611 F.2d 296, 204 USPQ 978, 43 C.O.Bull. 33 (9th Cir.—*Reversed and remanded*, Dec. 20, 1979); 684 F.2d 1316, 216 USPQ 588, 46 C.O. Bull. 68 (9th Cir.—*Reversed and remanded*, Aug. 26, 1982); *Anti-Monopoly, Inc. v. General Mills, Inc.*, 684 F.2d 1326, 46 C.O. Bull. 83 (9th Cir.—*Reversed and remanded*, Aug. 26, 1982); *CPG Products Corp. v. Anti-Monopoly, Inc.*, 459 U.S. 1227, 103 S.Ct. 1234, 75 L.Ed.2d 468 (U.S. Sup. Ct.—*Certiorari denied*, Feb. 22, 1983); 460 U.S.1104, 103 S.Ct. 1805, 76 L.Ed.2d 369 (U.S. Sup. Ct.—*Rehearing denied*, Apr. 18, 1983)]

Plaintiff, a corporation engaged in the business of selling a board game called "Antimonopoly," brought action to challenge validity and enforceability of defendant's "Monopoly" trademark. Judgment declaring the "Monopoly" mark valid and enforceable was reversed, 611 F.2d 296, and case was remanded for redetermination of trademark validity issue. On remand, the District Court, Spencer Williams, J., held that: (1) absent evidence that the primary significance of "Monopoly" in the public's eyes was to denote a product in contradistinction to the producer, the "Monopoly" trademark was not invalid so as to require its cancellation either because the word "Monopoly" was at the time of its registration, or had since become, the generic or common descriptive name of article or a game, and (2) the use of the name "Antimonopoly" as the title of plaintiff's game and otherwise in connection with that game created a strong likelihood of confusion in the public mind and was such as to constitute an infringement of the defendant's "Monopoly" trademark.

Judgement for the defendant.

1. Trade Regulation

A trademark may be cancelled if it becomes the common descriptive name of an article or substance or was obtained fraudulently, but unless one of these or certain other specified grounds exist, the right to use a trademark which has been in continuous use for five consecutive years after registration becomes incontestable and is conclusive evidence of the registrant's sole right to use the mark in commerce. Lanham Trade-Mark Act, §§ 14(c), 15, 33(b), 15 U.S.C.A. §§ 1064(c), 1065, 1115(b).

2. Trade Regulation

"Monopoly" trademark was not invalid subject to being cancelled because the word "Monopoly" was at the time of its registration the generic or common descriptive name of an

article or a game where there was no evidence as to what the public's conception of "Monopoly" was at that juncture or indeed how widely played "Monopoly" actually was and, hence, no evidence that "Monopoly" at time of registration denoted a game rather than the game's producer. Lanham Trade-Mark Act, §§ 14(c), 15, 33(b), 15 U.S.C.A. §§ 1064(c), 1065, 1115(b).

3. Trade Regulation

Only if a trademark's primary significance is to denote the source or producer, as opposed to the product itself, can a trademark be sustained. Lanham Trade-Mark Act, §§ 14(c), 15, 33(b), 15 U.S.C.A. §§ 1064(c), 1065, 1115(b).

4. Trade Regulation

Even where the public necessarily associates the product with the particular producer, the trademark is invalid unless source identification is its primary significance. Lanham Trade-Mark Act, §§ 14(c), 15, 33(b), 15 U.S.C.A. §§ 1064(c), 1065, 1115(b).

5. Trade Regulations

Test for genericness of a trademark item manufactured by a single producer requires a determination of the primary significance of the mark in the average consumer's mind, not an explanation of the actual purchaser's motivation for purchasing the item. Lanham Trade-Mark Act, §§ 14(c), 15, 33(b), 15 U.S.C.A. §§ 1064(c), 1065, 1115(b).

6. Trade Regulation

The "Monopoly" trademark was not invalid so as to require cancellation on ground that the word "Monopoly" had become since its registration the generic or common descriptive name of an article or a game where there was no evidence to establish that the primary significance of the word "Monopoly" in the public's eye was to denote a game in contradistinction to the game's producer. Lanham Trade-Mark Act, §§ 14(c), 15, 33(b), 15 U.S.C.A. §§ 1064(c), 1065, 1115(b).

7. Trade Regulation

Use of name "Antimonopoly" as title of plaintiff's game and otherwise in connection with that game created a strong likelihood of confusion in the public mind with that of defendant's "Monopoly" trademark and, as such, constituted an infringement of that mark. Lanham Trade-Mark Act. §§ 14(c), 15, 33(b), 15 U.S.C.A. §§ 1064(c), 1065, 1115(b).

8. Trade Regulation

State law claims of unfair competition and trademark dilution were established by defendant on evidence that there was a strong likelihood that the public would be deceived as to the source of the plaintiff's "Antimonopoly" game due to the confusion with the defendant's "Monopoly" trademark, that plaintiff's game diluted defendant's mark, and that defendant had neither abused the "Monopoly" trademark nor committed any fraud in the acquisition of the original trademark. Lanham Trade-Mark Act, §§ 14(c), 15, 33(b), 15 U.S.C.A. §§ 1064(c), 1065, 1115(b).

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plaintiff.

OPINION AND ORDER ON REMAND

SPENCER WILLIAMS, *District Judge*. Plaintiff Anti-Monopoly, Inc., a California corporation which has engaged in the business of selling a board game it calls ANTI-MONOPOLY, brought this action challenging the validity and enforceability of defendant's MONOPOLY game trademark. After a trial before this court, a judgment was granted declaring the MONOPOLY trademark valid and enforceable, and that Anti-Monopoly's use of the name ANTI-MONOPOLY constituted an infringement thereof. On appeal to the Ninth Circuit Court of Appeals, the appellate court reversed and remanded to this court for a redetermination of the trademark validity issue. *Anti-Monopoly, inc. v. General Mills Fun Group*, 611 F.2d 296 (9th Cir. 1979). In so doing, the Court of Appeals invited this court to entertain new evidence bearing on the validity issue, specifically the consuming public's perception and usage of the term "MONOPOLY."

Accordingly, the court received and considered proposals on both sides regarding the scope and content of further post-remand proceedings. On July 11 and July 18, 1980, the court conducted further evidentiary hearings. At the hearing the court received documentary evidence and the testimony of four witnesses. The court received and considered written arguments of counsel on the law and facts and, after the hearing closed and on July 22, 1980, the court heard and considered further oral argument of counsel. Having carefully considered the oral and documentary evidence received both at the trial and at the hearings after remand and the oral and written arguments of counsel, and having observed the demeanor of the witnesses, the court now finds the following:

I

FACTUAL BACKGROUND

According to its creator, Ralph Anspach, a professor of economics, the primary focus of ANTI-MONOPOLY is to emphasize and support the values of the competitive private enterprise system. The game was first created in 1971, Anspach attempting unsuccessfully to market it under the name "BUST THE TRUST." Professor Anspach decided the problem lay in the name, which he changed to ANTI-MONOPOLY, thus achieving a notable market success. The game, as packaged, bears remarkable similarities to MONOPOLY in terms of box size, lettering, board configuration and design. Since the game was first sold in December 1973, plaintiff has sold approximately 419,000 games, taking in close to one million dollars.

Defendant and counterclaimant General Mills Fun Group, Inc. is a Nevada corporation engaged in business in California and elsewhere throughout the world with its principal place of business in Minnesota. Parker Brothers is an unincorporated division of defendant engaged in the business, among others, of manufacturing and selling games. Parker Brothers is the owner of the registered trademark MONOPOLY, No. 326,723 which was registered with the United States Patent and Trademark Office on July 30, 1935 and No. 338,834 registered on September 15, 1936. Parker Brothers' patent for MONOPOLY, issued December 31, 1935, expired in 1952.

For over forty-five years, Parker Brothers has been the sole producer of the real estate trading game known to the public as MONOPOLY. Since 1935, Parker Brothers and its predecessor have sold 80 million sets of the MONOPOLY game in the United States for \$125 million. In the past ten years it has sold 24 million sets, and since 1973 its sales have approximated 80,000 sets annually. Parker Brothers had diligently and consistently promoted and policed its MONOPOLY mark, expending \$4 million in publicizing the trademark since its first use, \$2.1 million in publicizing the mark in the last ten years, and \$234,000 in publicizing expense in 1976. Defendant has enjoyed exclusive use of its MONOPOLY trademark for all of this period, and the mark has not been used by anyone else except plaintiff for board games or otherwise except under licenses and other permission granted by Parker Brothers.

II

Three principal issues are raised on remand. First, and foremost, the question as to the validity of the MONOPOLY trademark has been remanded for redetermination in light of the Ninth Circuit's test explicitly set forth in *Anti-Monopoly, supra*, 611 F.2d at 306, to wit: "whether the primary significance of . . . [the term, MONOPOLY] is to denote *product or source*." Second, if the MONOPOLY mark is held valid, does Anti-Monopoly's use thereof constitute an infringement? And third, irrespective of the trademark validity issue, whether Anti-Monopoly's exploitation of similar "competition factors" with the MONOPOLY game produced by Parker Brothers constitutes unfair competition under state law.

III

A. VALIDITY OF MONOPOLY TRADEMARK.

[1] The thrust of plaintiff's argument is that the MONOPOLY trademark is invalid and should be cancelled either because (1) MONOPOLY was at the time of its registration, or has since become, the generic or

common descriptive name of an article, or in this case, a game, or (2) the trademark was acquired through fraudulent means. Under 15 U.S.C. §1064(c) a trademark may be cancelled if it becomes the common descriptive name of an article or substance or was obtained fraudulently. Unless one of these or certain other specified grounds exist, the right to use a trademark which has been in continuous use for five consecutive years after registration becomes incontestable and is conclusive evidence of the registrant's sole right to use the mark in commerce. 15 U.S.C. §§ 1065 and 1115(b).

After the initial trial, this court found against plaintiff on the fraud allegation, and plaintiff has not raised that issue on appeal. The remaining issue involves the question of "genericness" of the MONOPOLY mark.

1. *Genericness At Time Of Registration.*

Plaintiff attempted to show at trial that at the time of Parker Brothers' trademark registration, MONOPOLY was already a widely played game known by that name. The evidence introduced to support this contention consists chiefly of isolated and sporadic examples of individuals playing old oilcloth games referred to in some instances as "Monopoly," the "Landlord's Game," or some other variation thereof. The Ninth Circuit found it "significant . . . that the original patent application in August, 1935 divulged that 'the game is known on the market as Monopoly.' This usage, of course, predated any association of Parker Brothers with the game." 611 F.2d at 306, n.7.

This court finds the evidence to the contrary. Parker Brothers' MONOPOLY had been registered by trademark in July of 1935, one month before the patent application was filed. At the date of the patent application reference, thus, Parker Brothers had a clear association with MONOPOLY. Moreover, it must be recalled that MONOPOLY's inventor, Mr. Clarence Darrow, assigned his rights in the game to Parker Brothers in March 1935.

[2] In order to be "generic," the name MONOPOLY, in the minds of the consuming public, must primarily denote product rather than source. It remains unclear how widely played the precursors to modern MONOPOLY were in the 1920s and early '30s. Plaintiff has simply made no showing as to what the public's conception of the term was at that juncture or indeed how widely played it actually was. As Clarence Darrow, and later his successor, Parker Brothers, popularized a specific game they called MONOPOLY, this court cannot find that the trademark when registered denoted "a game" rather than the "game's producer." Because Anti-Monopoly has the burden of showing genericness by convincing evidence, *Feathercombs, Inc. v. Solo Products Corporation*, 306 F.2d 251 (2d Cir. 1962), this finding must be for defendant.

2. Genericness Since Registration.

The primary use before this court on-remand relates to plaintiff's assertion that the MONOPOLY mark became generic in contemporary usage over time, so that current usage of the term "MONOPOLY" by consumers refers to the game and not the producer. In *Anti-Monopoly*, the Ninth Circuit determined that this court had employed the wrong test in determining genericness (by first defining the "genus" as "all board games involving real estate trading"). 611 F.2d at 305. As a result, this court "thus obscured the basic issue: whether MONOPOLY primarily describes a product, or a producer." *Id.*

[3] This error transpired, the Ninth Circuit observed, because this court had "lumped together in the species category" the two alternatives between which the proper test was designed to discern: attribution to either *product or producer*. *Id.* Only if a trademark's "primary significance" is to denote the *source or producer*, as opposed to denoting the product itself, can the trademark be sustained. *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111, 118, 59 S.Ct. 109, 113, 83 L.Ed. 73 (1938); *Anti-Monopoly, supra*, 611 F.2d at 306. As Judge Learned Hand made clear in *Bayer Co., Inc. v. United Drug Co.*, 272 F. 505, 509 (S.D.N.Y.1921), the test relates to the average consumer's comprehension of the mark: "What do the buyers understand by the word for whose use the parties are contending?"

[4] In a normal context this test is implemented by ascertaining whether a mark denotes a "particular producer's goods or services . . . [or whether] the word is identified with all such goods or services, regardless of their suppliers." *Surgicenters of America v. Medical Dental Surgeries*, 601 F.2d 1011, 1016 (9th Cir. 1979). This is a straightforward task in markets where several producers manufacture the generic item in question. In this case, the analysis is complicated by the fact that Parker Brothers has been, and remains, the only producer to manufacture MONOPOLY since it acquired the rights to do so from MONOPOLY's creator, Mr. Clarence Darrow in 1935.¹ The Ninth Circuit recognized this,

¹This case is sharply contrasted with both *Selchow & Righter Co. v. Western Printing & Lithographing Co.*, 47 F.Supp. 322, 326 (E.D. Wis.1942), *aff'd*, 142 F.2d 707, 709 (7th Cir.), *cert. denied*, 323 U.S. 735, 65 S.Ct. 75, 89 L.Ed 589 (1944), and *Golomb v. Wadsworth*, 592 F.2d 1184, 201 U.S.P.Q. 200, 201 (1979). In *Selchow* the court found that other manufacturers were indeed also producing PARCHEESI (but under a different name), and that the origins of the game could be traced back centuries as a royal game of India. 142 F.2d at 708. Thus, the parallels to chess, checkers, backgammon and other venerated international games of unknown origin are far closer than here. MONOPOLY, this court has found, was "created" by Mr. Clarence Darrow and acquired by Parker Brothers.

Similarly, in *Golomb*, the Court of Customs and Patent Appeals noted that the asserted trademarks, "POLYOMINOES" and "PENTOMINOES", had actually received public currency before the registrant had created his game titles ("POLYMINOES" reported to be widely popular three years before registrant claimed he brought them to the attention of the public.) 592 F.2d at 1186. This court had rejected a similar finding here.

explicitly applying its test in the one producer situation, so that even where "the public necessarily associates the product with that particular producer, the trademark is invalid *unless* source identification is its primary significance." 611 F.2d at 302.

However succinctly stated, the Ninth Circuit standard, unless it is intended to effectively foreclose trademark protection for any single producer of a unique game—e.g., SCRABBLE² or TOWER OF BABBLE.³—which this court believes it is not, it must be applied to the facts with some degree of care. In the case of the single producer of a unique item, it is a difficult and delicate task to separate product from source characteristics as they appear in the consumer's mind.

[5] The parties presented additional survey evidence to this court which purport to make this fine distinction. The Anti-Monopoly survey, which was supposedly based on a specific guiding language in the Ninth Circuit's opinion, misconstrued the nature of the inquiry mandated by the Ninth Circuit in addition to manifesting a number of serious methodological flaws. The test set forth in that opinion requires a determination of the "primary significance" of the mark "MONOPOLY" in the average consumer's mind. It *does not* seek an explanation of an actual *purchaser's motivation for purchasing the game*. The two are not the same.

The Anti-Monopoly survey was restricted to persons who had purchased MONOPOLY within the past few years or who intended to purchase MONOPOLY in the near future. The survey asked three questions: (1) "Are you aware of 'MONOPOLY,' the *business board game produced by Parker Brothers?*", (2) "Have you purchased MONOPOLY within the last couple of years?", or "Is it possible that you would buy 'MONOPOLY' now or in the near future either for yourself, as a replacement, or as a gift?", and (3) in the case of those who said they bought MONOPOLY within the last couple of years, "*Why did you buy 'MONOPOLY'?*", and in the case of persons stating the possibility of future purchase in the words of the question put, "Why should you buy 'MONOPOLY'?"

Defendants contend that by its design, plaintiff's study avoids the very issue of this inquiry:

The Anti-Monopoly survey states *in the first question* that MONOPOLY is a "*business board game produced by Parker Brothers.*" The appellate opinion directs this Court to find whether or not MONOPOLY has a primary source identification.

²In *Selchow & Righter Co. v. McGraw-Hill Book Co.*, 580 F.2d 25 (2d Cir. 1978), a preliminary injunction was granted against a possible infringement of the trademark SCRABBLE, a game solely produced by Selchow & Righter. The court held that the genericness question of SCRABBLE "is fairly open to proof." 580 F.2d at 28.

³In *Dawn v. Sterling Drug Co.*, 319 F.Supp. 358 (C.D.Cal.1970), the court granted trademark protection (injunction) for the unique game title TOWER OF BABBLE against its use as a slogan for Bayer Aspirin.

The Anti-Monopoly survey was not designed to gather source-related data but, instead, to assemble a mass of mixed, heterogeneous data from which to argue to this Court that the public purchases MONOPOLY for reasons primarily unrelated to source. The design accomplishes this, as we have seen, by including Parker Brothers as the name of the producer of MONOPOLY in the first question, and in this way *brushes aside as an assumed fact, the very fact on which the Ninth Circuit has mandated further inquiry.* [Emphasis added]

The court is in complete accord with this assessment of plaintiff's study.⁴ Nevertheless, when given a specific choice between source and product attribution, plaintiff's own study finds that one in three consumers purchased (or would purchase) "MONOPOLY primarily because they like Parker Brothers' products."⁵ Of course, while it is significant that such a large percentage of MONOPOLY users purchased their games because of their affection for Parker Brothers' products, ascertaining the *motive* for a consumer's purchase is not the determination envisioned by the Ninth Circuit test. One fact which this court need not ignore is that most consumers, indeed an overwhelming proportion thereof, purchase any given product not out of goodwill or affection for the producer, but because they want or favor the product. Only a shareholder of the General Mills Fun Group (Parker Brothers' parent) could reasonably be expected to purchase a Parker Brothers' game out of an affection or goodwill for the corporation.

⁴Other methodological deficiencies abound. The court finds that the design of the study was inherently biased towards a favorable outcome for Anti-Monopoly, including intimations that Prof. Anspach suggested the language which was used. Secondly, the scale which deduced the statistic that 82% of the MONOPOLY purchasers buy for "product related" reasons is: (1) overwhelmingly prone to errors of subjective grading and (b) cannot be reconciled with the alternate finding that one of three buyers do so out of affection for Parker Brother's products. The court rejects plaintiff's study.

⁵Following the "open-end" questions, respondents were asked a structured question: "Which of these two statements best expresses your meaning when you ask [to purchase] . . . MONOPOLY in a store?" Choices: "(1) I would like Parker Brothers' 'MONOPOLY' game primarily because I like Parker Brothers' products." or "(2) I want 'MONOPOLY' game primarily because I am interested in playing 'MONOPOLY.' I don't much care who makes it."

These responses were pulled, verbatim, from an illustration in the text of the appellate court opinion. 611 F.2d at 305-306. Plaintiff's expert, not a trained attorney, misconstrued the purpose of the illustration, which was to illustrate a point, *not* to suggest language for a scientific study.

This weakness of plaintiff's study becomes most convincing when one considers defendant's TIDE survey. The TIDE survey showed that when TIDE is surveyed on a substantially identical design, 67.7% of its purchasers report that they buy (or would buy) TIDE because they simply like TIDE, 6.7% buy (or would buy) TIDE for some other reason, 4.8% don't know, and only 12.8% report that they buy (or would buy) TIDE because of their affection for Procter & Gamble products. Yet it seems beyond argument that TIDE is a valid trademark. But if TIDE were the *only* detergent available, would this mean that TIDE could not protect its trade name?

Moreover, the "primary significance" of a trademark corresponds more to the recognition of a mark as the brand name of a particular producer than it does to a reason for purchasing. Consumers purchase games because they wish to play the games they seek, yet this fact alone should not serve to invalidate an otherwise legitimate trademark. The makers of MONOPOLY should not be penalized simply because they have created a unique product which they have actively and diligently promoted.

The dispositive issue hence is *not* why consumers buy MONOPOLY sets, but rather what is their *understanding* of the name MONOPOLY? Does it primarily denote *product or producer*? In a single producer case (there is no other producer of MONOPOLY) it will not suffice to analyze source-related as opposed to source-irrelevant characteristics because most source related characteristics (e.g., price, style, durability, quality, etc.) are purely relative terms, implying a comparison with product substitutes, or near substitutes. Here there are no substitutes; there is only MONOPOLY. Accordingly, the Ninth Circuit's mandate that this court divine the "primary significance" of that term in the consumer's mind must necessarily involve subtle inferences into the complex, convoluted mind of the American consumer — an unenviable task.

The difficulty in this regard arises due to the public's dual usage of the tradename, denoting both product and source. For example, the mark "Ford" to the average consumer denotes *both* car and motor car company. However, to demonstrate "primary significance" it is necessary to show more than a high percentage of the consuming public who recognize MONOPOLY as a brand name (as defendant has done: 63% of those polled recognize MONOPOLY as a "brand name"). It is necessary to show more than a public awareness that Parker Brothers is the sole manufacturer of MONOPOLY (55% correctly identified Parker Brothers in defendant's survey). "Primary significance" logically implies a hierarchical priority over a competing alternative.

[6] Yet the cumulative weight of the evidence does satisfy this court that the primary significance of MONOPOLY in the public's eye is to denote a "Parker Brothers' Game" (*i.e.*, source) in contradistinction to that "popular game of MONOPOLY" (product). Parker Brothers has expended substantial time, energy, and money in promoting and policing their trademark, expending over \$4 million in advertising expenditures. One result of these diligent efforts has been the extraordinary success Parker Brothers has achieved in creating public source awareness. Over 55% of the American public correctly identified Parker Brothers as the producer of the game. *Cf. Selchow & Righter Co. v Western Printing & Lithographing Co.*, D.C., 47 F.Supp. 322, 326 (court finding it "very evident that any ordinary customer, going into a store, and asking for the game "PARCHEESI" has no information as to who might have manufactured and produced the game.") An even more impressive display of the

amount of goodwill which Parker Brothers has imbued throughout its various games—especially MONOPOLY—is *the finding of plaintiff's survey that one out of three MONOPOLY purchasers do so primarily because "they like Parker Brothers' products."* Hence, source attribution is a dominant perceived effect of the MONOPOLY trademark. This court cannot say from the facts before it that it is not the "primary significance" of the mark. Unless the Ninth Circuit standard is meant to foreclose the possibility of trademark protection for any producer of a unique game whose corporate name does not appear in the title of the game (*e.g.*, "SCRABBLE," "TOWER OF BABBLE"), then its test cannot be used here to thwart MONOPOLY's trademark rights.

IV

FINDINGS OF FACT

1. The court again finds as fact each fact found in this Opinion as set forth in the foregoing.

2. As a game trademark, MONOPOLY primarily denotes its producer, Parker Brothers, and primarily denoted its producer when registered.

[7] 3. The parties have offered no further evidence on the issue of trademark infringement. After further considering the matter in light of the preceding finding of fact, the court again finds that use of the name *ANTI-MONOPOLY* as the title of plaintiff's game and otherwise in connection with that game has created and creates a strong likelihood of confusion in the public mind.

[8] 4. The parties also have offered no further evidence on Parker Brothers' state law claims of unfair competition and trademark dilution or plaintiff's defense of unclean hands. After further considering all of the evidence in the light of Finding 2 above, the court again finds, for purposes of the state law claims, that there is a strong likelihood that the public will be deceived as to the source of the *ANTI-MONOPOLY* game due to confusion with the mark MONOPOLY; that plaintiff's name therefore dilutes Parker Brothers' trademark MONOPOLY; and that Parker Brothers has neither abused the MONOPOLY trademark nor committed any fraud in the acquisition of the original trademark.

5. The court further finds as fact anything set out below in its conclusions of law which is finding of fact or a mixed finding of fact and conclusion of law.

On the foregoing further Findings of Fact, the court now makes and enters the following:

V

CONCLUSIONS OF LAW

1. The court incorporates by this reference each Conclusion of Law contained in its Opinion and Order filed and entered April 4, 1977, except that the court has reconsidered in the light of the opinion of the Court of Appeals plaintiff's claim that the MONOPOLY trademark was generic when registered or has become so, 15 U.S.C. §§ 1065(4) and 1115(b)(2), as against the claim of defendant and counter-claimant that its right to exclusive use of the MONOPOLY mark is incontestable by reason of the same statutory provision. After such reconsideration, which has included the matters embraced in Finding 2 above, the court again concludes that the MONOPOLY trademark is in all respects valid and enforceable and that use by plaintiff of the title ANTI-MONOPOLY for its game infringes the MONOPOLY trademark.

2. The court further concludes as law anything found as fact in the foregoing Findings of Fact which is either a conclusion of law or a mixed conclusion of law and finding of fact.

The court has this day entered its final judgment in conformity herewith.

**ASSOCIATED FILM DISTRIBUTION CORPORATION, et al. v.
The Honorable Dick THORNBURGH, et al.**

Civ. A. No. 80-1179

(United States District Court, E. D. Pennsylvania—August 24, 1981)

520 F. Supp. 971. 214 USPQ 742

[See also 683 F.2d 808, 216 USPQ 184, 46 C.O.Bull. 105 (3d Cir.—*Reversed and remanded*, July 20, 1982); 614 F. Supp. 1100, 227 USPQ 184, 49 C.O.Bull. ____ (E.D. Pa., Aug. 5, 1985)]

Plaintiffs, who included many of the major distributors of motion pictures, brought action challenging the constitutionality of Pennsylvania Feature Motion Picture Fair Business Practices Law. On plaintiffs' motion for summary judgment, the District Court Troutman, J., held that: (1) Pennsylvania Feature Motion Picture Fair Business Practices Law comprehensively regulating licensing of motion picture for exhibition within the state, which indirectly restrained dissemination of protected expression by creating

risk of delay in licensing and by enhancing financial risks of distributors, violated First Amendment, and (2) challenged statute's broad and comprehensive regulation of process of licensing copyrighted motion pictures conflicted with objectives of Congress in its enactment of Copyright Act and was therefore violative of supremacy clause.

Motion granted.

1. Federal Civil Procedure

District Court is required to make a three-step analysis in ruling upon a motion for summary judgment: first, in examining the record, it must resolve all doubts against moving party, upon whom initial burden of justifying the motion falls, and construe the motion in light most favorable to its opponents and second, it must ascertain whether disputes exist with regard to any material fact, defined as a fact that affects outcome of the litigation and third, court must determine whether genuine need for trial exists with regard to decision of the legal issues presented or whether any purported factual questions are largely illusory and trial would be a useless formality. Fed.Rules Civ.Proc. Rule 56, 28 U.S.C.A.

2. Federal Civil Procedures

Fact that an action involves constitutional questions does not change standard to be applied in ruling on motion for summary judgment. Fed.Rules Civ.Proc. Rule 56, 28 U.S.C.A.

3. Federal Civil Procedure

Existence of factual questions concerning alleged relative disparity in economic power size, and concentration between distributors, distributors' purported abuse of disparity and the extent and nature of burdens that the Act could impose on constitutionally protected activities did not preclude resolution of First Amendment of supremacy clause challenges to Pennsylvania Feature Motion Picture Fair Business Practices Law on motion for summary judgment. 73 Pa.P.S. § 203—1 et seq.; U.S.C.A.Const. Art. 6, cl. 2; Amend. 1.

4. Constitutional Law

Theaters and Shows

Pennsylvania Feature Motion Picture Fair Business Practices Law comprehensively regulating licensing of motion picture for exhibition within the state, which indirectly restrained dissemination of protected expression by creating risk of delay in licensing and by enhancing financial risks of distributors, violated First Amendment. 73 Pa.P.S. § 203—1 et seq.; U.S.C.A.Const. Amend. 1.

5. Constitutional Law

Motion pictures are form of creative expression protected by First Amendment although they are not necessarily subject to precise rules governing any other particular method of expression and although that protection is not absolute; however, with exception of obscenity, that protection applies regardless of film's content and that protected status is not altered by the fact that motion pictures are commercial endeavors. U.S.C.A.Const. Amend. 1.

6. Constitutional Law

First Amendment's protection extends to means of distribution of protected expression as well as to protection of content itself. U.S.C.A.Const. Amend. 1.

7. Constitutional Law

Risk of infringement of First Amendment rights is sufficient to establish a statute's burden, whether regulation in question affects expression directly or indirectly. U.S.C.A.Const. Amend. 1.

8. Constitutional Law

Actual proof of infringement of expression is not necessary to declare a statute or ordinance unconstitutional on First Amendment grounds. U.S.C.A.Const. Amend. 1.

9. States

Theaters and Shows

Pennsylvania Feature Motion Picture Fair Business Practices Law's broad and comprehensive regulation of process of licensing copyrighted motion pictures conflicted with objectives of Congress in its enactment of Copyright Act and was therefore violative of supremacy clause. 73 Pa.P.S. § 203—1 et seq.; 17 U.S.C.A. § 101 et seq.; U.S.C.A.Const. Art. 6, cl. 2.

George P. Williams, III, Philadelphia, Pa., for plaintiffs.

Allen C. Warshaw, Deputy Atty. Gen., Com of Pa., Harrisburg, Pa., for Thornburgh and Biester.

Peter M. Fishbein, New York City, Richard M. Squire, Philadelphia, Pa., for Fox Theatre.

H. Donald Busch, Philadelphia, Pa., for Budco.

MEMORANDUM AND ORDER

TROUTMAN, *District Judge*. The Pennsylvania Feature Motion Picture Fair Business Practices Law, Act No. 1980—14, 73 P.S. § 203—1 et seq. ("the Act"), was approved by Governor Thornburgh on February 29, 1980, and became effective on April 29, 1980. The Act comprehensively regulates the licensing of motion pictures for exhibition within the Commonwealth of Pennsylvania.

A number of other states have adopted legislation regulating certain aspects of motion picture licensing.¹ Most of the statutes that have been enacted in states other than Pennsylvania go no further than prohibiting the licensing of motion pictures without an advance trade screening (thereby prohibiting a practice referred to in the Act as "blind bidding").² A few, such as Sections 1333.05 through 1333.07 of the Revised Code of Ohio, effective October 23, 1978 ("the Ohio statute"), regulate other licensing practices such as "guarantees," "advances," and bidding procedures.³ The Pennsylvania Act contains additional provisions, such as Section 7, 73

¹See Affidavit of Richard A. Fox, President, Fox Theatres Management Corporation ("Fox Affidavit") ¶ 16; Exhibit "B" to Answer of Budco Quality Theatres, Inc.

²See *Allied Artists Pictures Corp. v. Rhodes*, 496 F.Supp. 408, 437 (S.D.Ohio 1980), where District Judge Duncan observed that the other state regulatory statutes enacted as of the time of trial "basically prohibit blind bidding." In *Allied Artists*, Judge Duncan rejected an attack brought by many of the same plaintiffs upon the constitutionality of the Ohio statute. That decision is presently on appeal to the United States Court of Appeals for the Sixth Circuit (No. 80-3566).

³See Fox Affidavit, ¶ 16.

P.S. § 203—7, regulating “exclusive first runs,”⁴ and is more far-reaching than even the Ohio statute.

On March 24, 1980, plaintiffs, who include many of the major distributors and producers of motion pictures, initiated the present action. They ask that the Act be declared unconstitutional and that its enforcement be permanently enjoined. In their complaint, plaintiffs assert that the Act violates the Supremacy Clause, Article VI, cl. 2, the Commerce Clause, Article I, § 8, cl. 3, and the First, Fifth and Fourteenth Amendments to the United States Constitution, as well as Article I, § 7 and Article III, § 32 of the Constitution of the Commonwealth of Pennsylvania. Named as defendants are the Governor and Attorney General of the Commonwealth of Pennsylvania (who, by virtue of their offices, are charged with the execution and the enforcement of the laws of the Commonwealth), and two “exhibitors” as defined in § 3 of the Act. 73 P.S. § 203—3. Budco Quality Theatres, Inc. (“Budco”) and Fox Theatres Management Corporation (“Fox”).⁵ The exhibitor defendants operate two of the major theatre circuits or chains in this region.⁶ All defendants filed answers to the complaint.⁷

On July 15, 1980 plaintiffs filed the present motion for summary judgment, accompanied by affidavits, asking that the Act be declared un-

⁴Section 3 of the Pennsylvania Act defines a “run” as “[t]he continuous exhibition of a feature motion picture for a specified period of time.” A “first run” is the first exhibition of a feature motion picture in the designated area and an “exclusive run” is “any run limited to a single theatre in a defined geographical area.”

⁵The powers of the Governor and Attorney General are more fully set forth in Article 4 §2 of the Constitution of the Commonwealth and 71 P.S. § 61 *et seq.* and 71 P.S. § 732-204.

Section 3 of the Act, 73 P.S. § 203—3, defines an “exhibitor” as “[a]ny person engaged in the business of operating one or more theatres in this Commonwealth . . .” and a “distributor” as “[a]ny person engaged in the business of renting, selling or licensing feature motion pictures to exhibitors.”

⁶Budco operates 55 theatres with 99 screens in Eastern Pennsylvania, Maryland, Delaware, and Southern New Jersey, and Fox operates 28 theatres with 48 screens in Pennsylvania, Maryland, and Delaware. Fox Affidavit, ¶ 1; Affidavit of Claude J. Schlanger (“Schlanger Affidavit”), ¶ 1.

⁷With its answer, defendant Budco counterclaimed against plaintiffs, alleging violations of § 1 of the Sherman Act. By agreement of the parties, plaintiffs have not answered the counterclaim. Plaintiffs filed a motion for severance of the counterclaim or, in the alternative, for a separate trial and a stay of all proceedings in connection with it. Together with its answer, Budco also demanded a trial of the entire case by jury, both the declaratory action and counterclaim and plaintiffs have moved to strike that demand.

The exhibitor defendants have served all plaintiffs with interrogatories and requests for production of documents relating both to the case-in-chief and to the counterclaim. The discovery sought by Fox has been stayed by court-approved stipulation. A motion for protective order with regard to Budco’s discovery requests is presently before this Court, as is an appeal from Magistrate Powers’ order of September 22, 1980 denying plaintiffs’ earlier motion for a protective order limiting discovery to the issues by this motion.

constitutional on its face.⁸ Defendants' responsive memoranda are also supported by affidavits.⁹ Oral argument was heard on March 27, 1981, and the motion is ripe for decision.

Stripped to the essentials, the issues before this Court are, *first*, whether the Act's regulation of the licensing process through which copyrighted motion pictures are made available to the theatre-going public violates the First Amendment and the Supremacy Clause; and, *second*, whether any material fact issues exist that would bar that determination on motion for summary judgment.¹⁰ Careful review of the pleadings, the affidavits, and the extensive and thorough briefs submitted by the parties demonstrates that plaintiffs' First Amendment and Supremacy Clause claims may be decided on this motion and that the Act conflicts on its face with rights protected by those constitutional provisions.

I.

THE PROVISIONS OF THE ACT.

The Act directly regulates the licensing process through which copyrighted motion pictures, and the ideas they express, are made available to theatre audiences, prohibits certain terms in license agreements between distributors of motion pictures and exhibitors, and requires that certain procedures be followed.¹¹ There exist both obvious similarities to and differences from the provisions of the Ohio statute.

⁸Plaintiffs' motion for summary judgment was accompanied by the affidavits of Leo Greenfield, Vice President for Marketing and Distribution, Associated Film Distribution Corporation ("Greenfield Affidavit") and Norman Levy, President of 20th Century Fox Entertainment, a division of 20th Century Fox Film Corporation ("Levy Affidavit").

⁹Defendants submitted the Fox and Schlanger affidavits.

¹⁰Decision of the First Amendment issues disposes of this motion. Defendants have basically and substantially conceded that plaintiffs' Supremacy Clause and copyright may be decided as a matter of law. Because of the importance of the question whether the Act's regulation of licensing motion pictures for exhibition impermissibly interferes with federal copyright regulation, it is also discussed in this opinion. Plaintiffs' claims under the Due Process clause and the Pennsylvania Constitution need not be decided because the foregoing is dispositive. As to the Commerce Clause issues, additional facts are necessary for their determination under the "balancing" test of *Pike v. Bruce Church, Inc.*, 397 U.S. 137, 142, 90 S.Ct. 844, 847, 25 L.Ed.2d 174 (1970).

¹¹Motion pictures are copyrighted forms of creative expression. They are marketed by means of copyright licenses extended by distributors of films, located in states other than Pennsylvania, to local exhibitors. See Levy Affidavit, ¶¶ 2-3, 6; Greenfield Affidavit, ¶¶ 2, 4-5. As a result of the landmark Supreme Court decision in *United States v. Paramount Pictures, Inc.*, 334 U.S. 131, 68 S.Ct. 915, 92 L.Ed. 1260 (1948), and the subsequent divestiture order in *United States v. Paramount Pictures, Inc.*, 85 F.Supp. 881 (S.D.N.Y.1949), aff'd *sub nom. Loew's Inc. v. United States*, 339 U.S. 974, 70 St.Ct. 1032, 94 L.Ed. 1380 (1950), motion picture distributors own and operate no theatres at which motion pictures are ex-

Section 2 of the Act sets forth the sole legislative finding, namely, that “the licensing and distribution of feature motion pictures to theatres in this Commonwealth, including the rights and obligations of distributors and exhibitors, vitally affects the general economy as well as the access of the public to works of artistic expression and opinion. . . .” and asserts that regulation of licensing and relationships between motion picture distributors and exhibitors is a valid exercise of the police power. Ten purposes purportedly served by the Act are also listed in that section.¹² The Ohio statute contains no statement of any finding or purposes.

Section 3 defines the terms used in the Act. Its definitions closely resemble the definitions used in the Ohio statute.

Section 4 absolutely prohibits negotiating for, bidding for, or agreeing to a license for the exhibition of a motion picture within Pennsylvania

hibited, in Pennsylvania or elsewhere. See Budco Answer, ¶ 4. They achieve access to their theatre audiences through theatres operated by such exhibitors.

Both before the Pennsylvania Act was passed and at the present time, distributors offer, and exhibitors bid or negotiate for, licenses to exhibit motion pictures within regional or metropolitan marketing areas. Levy and Greenfield Affidavits, ¶¶ 9, 23. Revenues from the licensing of copyrighted motion pictures constitute a significant portion of the return received by the distributors. The terms of a copyright license are the means by which the distributor and exhibitor apportion the risks and returns from exhibition of motion pictures. See Levy and Greenfield Affidavits, §§ 5, 7, 8, 27; p Fox Affidavit, ¶¶ 3, 7.

¹²These purposes, as stated, are:

“(1) [to] insure unabridged access for the public to artistic expression and opinion in feature motion pictures at reasonable prices and at many different locations;

“(2) [to] avoid undue control of the exhibitors by the distributors;

“(3) [to] foster vigorous and healthy competition in offering feature motion pictures for the benefit of the public by prohibiting practices through which fair and honest competition is restrained, destroyed or inhibited;

“(4) [to] promote the wide geographical dissemination at reasonable prices to the public of ideas, opinions and artistic expression in feature motion pictures;

“(5) [to] prevent delay in the exhibition of feature motion pictures to the public in theatres playing subsequent to the first run showing;

“(6) [to] prevent theatres from unnecessarily going out of business, thereby resulting in reducing the number of small independent businesses and unemployment with loss of tax revenues and other undesirable consequences;

“(7) [to] prevent unfair deceptive acts or practices and unreasonable restraints of trade in the business of distribution and exhibition of feature motion pictures within the Commonwealth;

“(8) [to] promote fair and effective competition in that business.

“(9) [to] benefit the movie going public by limiting the long and extensive first runs so that additional theatres, in a given area, may also exhibit the same feature motion picture and at possibly a lower admission price; and

“(10) [to] prohibit blind bidding by insuring that exhibitors have the opportunity to view a motion picture and know the contents before committing themselves to exhibit in it their communities.”

without a prior trade screening within the Commonwealth (that is, it prohibits "blind bidding"). The Ohio statute has the identical practical effect.¹³ An important effect of this prohibition is that no negotiation for a license agreement between a distributor and an exhibitor may begin until the picture is in final form for exhibition. Although Section 4 requires a trade screening to take place, it does not require exhibitors to attend a trade screening. Like other sections of the Act, Section 4 may not be waived. The Ohio statute also prohibits any waiver of the comparable section.

Section 5 absolutely prohibits all guarantees of minimum film rental when a license agreement provides for payment to the distributor based in whole or in part on a percentage of attendance or box office receipts.¹⁴ No such license agreement may be conditioned upon or contain any guarantee. By contrast, the Ohio statute, § 1333.06(B), only prohibits a distributor from *demanding* that a license agreement contain a guarantee of a minimum payment. Although Section 5 prohibits a guarantee in the case of a percentage rental, it does not prohibit a flat rental, nor does it prohibit a guarantee with a flat rental. Section 5 also provides that provisions for any such guarantees are void and that any purported waiver of the prohibition is void.

Section 6 of the Act prohibits any and all advance payments of film rentals by an exhibitor to a distributor.¹⁵ A license agreement may not provide for any advance payment prior to exhibition of a motion picture, either as security for performance of the license agreement or as an advance or rental payments due under the agreement. The Ohio statute, § 1333.06(C) only prohibits a distributor from requiring a license that provides for an exhibitor's advancing any money for security or as an advance payment on rental due more than 14 days prior to exhibition of a motion picture. Like

¹³Sections 1333.06(A) and 1333.07(B), (C) of the Ohio statute say that distributors may not engage in "blind bidding," and that they must notify invited bidders of scheduled trade screenings. Ohio includes "negotiation . . . prior to a trade screening . . ." in its definition of "blind bidding." § 1333.05(1).

¹⁴The "percentage of gross receipts" represents the percentage figure of the box office receipts that the distributor would receive as rental. This was, and still is, the most common rental basis and this means of obtaining rental is not affected by the Act. A certain figure is set aside for the exterior to cover "house expenses." The distributor receives a varying proportion of the net remainder, such as 90%, with the exhibitor retaining the remaining 10%. As the exhibition of a film continues, the exhibitor's percentage normally increases and the distributor's declines. Levy and Greenfield Affidavits, ¶ 14; Schlanger Affidavit, ¶ 17. A "guarantee" would often be coupled with a percentage rental. A guarantee established a minimum rental that the distributor would pay, whatever the receipts were at the box office. Levy and Greenfield Affidavits, ¶ 14; Fox Affidavit, ¶ 7.

¹⁵Advance payments were partial rentals paid in advance before the initial exhibition of a motion picture. Levy and Greenfield Affidavits, ¶ 14; Schlanger Affidavit, ¶ 9(G); Fox Affidavit, ¶ 8.

Section 5, Section 6 provides that any waiver is void and unenforceable (the Ohio statute also prohibits waiver).

Section 7 prohibits “exclusive first runs” or “exclusive multiple first runs” of motion pictures for more than 42 days “without provisions to expand the run to second run or subsequent run theatres within the geographical area. . . .”¹⁶ A distributor may not agree to show a motion picture on an exclusive basis for more than 42 days. An exhibitor with theatres in prime locations may show the picture for more than 42 days, but may not longer show it “exclusively” and the film must be “made available,” or rebid.¹⁷ The Ohio statute imposes no such limitation.

Section 8 establishes certain bidding procedures that closely resemble those required in Ohio. It does not make competitive bidding mandatory, but sets forth requirements that must be followed if bidding is initiated:¹⁸

Section 8(a) requires that certain information be provided to bidding exhibitors, including the identity of all bidders.

Section 8(b) requires that if the motion picture has not been trade screened, the distributor shall establish a date, time, and location of a trade screening in the bid literature.

Section 8(c) requires that all bids are to be submitted in writing and opened at the same time, in the presence of those exhibitors of their agents who submitted bids and who are present. Unlike Ohio’s §1333.07(D), it does not require any exhibitor to be present.

¹⁶Before the Pennsylvania Act was passed, the term or time period of the license would be stipulated in the license agreement and included in the negotiations between distributor and exhibitor. Levy and Greenfield Affidavits, ¶ 15; Fox Affidavit, ¶ 5.

¹⁷Although the Schlanger Affidavit, ¶15, speaks of the “unduly long guaranteed exhibition runs,” and ¶ 5 of the Fox Affidavit asserts that exhibitors are forced to play motion pictures for “long periods of time,” the Act does not bar long runs, only exclusivity.

¹⁸Before the Act was passed, licensing of motion picture films for exhibition was carried out in Pennsylvania in several ways, including direct negotiation with individual exhibitors and the distributor’s solicitation of bids from exhibitors in a particular market area. Levy and Greenfield Affidavits, ¶ 10; Exhibit “A” to Budco’s Answer. On some occasions, the distributor would reject all bids and would then undertake to negotiate with one or more exhibitors who had bid or with entirely different exhibitors. Levy and Greenfield Affidavits, ¶10; Schlanger Affidavit, ¶¶9(D), 9(E). The information normally provided on a bid solicitation included the title of the film, identification of the talent involved (the actors, director, writer, producer, etc.), the type of film, and a general plot summary. Exhibit “A” to Budco’s Answer; Schlanger Affidavit, ¶ 9(A). When the license agreement was negotiated or bid before the motion picture was completed or available for viewing (or, on occasion, even when the film was complete), the motion picture would be licensed without an advance screening; that is to say, it would be “blind bid.” Exhibit “A” to Budco Answers: Levy and Greenfield Affidavits, ¶ 17; Schlanger Affidavit, ¶ 9(A). Fox Affidavit, ¶¶ 4, 5; Section 3 of the Act, 73 P.S. § 203-3. On other occasions, when a film was completed in advance of licensing, exhibitors might be invited to attend a “trade screening,” or a screening in advance of licensing. Levy and Greenfield Affidavits, ¶¶ 17, 20; Fox Affidavit, ¶¶ 10, 20.

Section 8(d) requires that a distributor make available to an exhibitor within 60 days after bids are opened any bid made for the same run by any other exhibitor — even if all bids submitted were rejected. The distributor is also required to notify in writing each exhibitor who submitted a bid for that run of the terms accepted and the identity of the successful bidder.

Section 8(e) provides that, if all bids are rejected, a distributor, once having issued invitations to bid, may not enter into a license agreement except by means of the bidding process specified in Section 8. In other words, he may not reject all bids and then enter into negotiations, nor may he withdraw the film from the market but instead, he must continue the bidding process.

Section 10 of the Act provides to exhibitors (but not to distributors), a private right of action. No such right is provided in Ohio. Any exhibitor may sue a distributor, or an exhibitor, or both, for violations of the Act in a Court of Common Pleas for damages or injunctive relief and is entitled to recover costs, including reasonable attorney's fees. A distributor has no comparable right of action.

Because of the similarities and because of the many significant differences between the Act and the Ohio statute, this Court will examine afresh the issues presented by plaintiff's constitutional challenge, in light of Judge Duncan's thorough and thoughtful opinion upholding the constitutionality of that statute.

II.

THE STANDARDS FOR SUMMARY JUDGMENT.

The principle that summary judgment may be entered when "the pleadings, depositions, answers to interrogatories and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to judgment as a matter of law" is well-established. Rule 56(c), Federal Rules of Civil Procedure. This Court recently analyzed the principles that govern under Rule 56 in *Hollinger v. Wagner Mining Equipment Corp.*, 505 F. Supp. 894, 896-898 (E.D.Pa.1981):

"Characterized as both a 'drastic' and 'extreme' remedy, summary judgment should be used 'sparingly,' for it is a 'lethal weapon,' eliminating the opportunities to assess the demeanor and credibility of witnesses as well as to examine and cross-examine them in front of a jury. However, where no genuine issues of material fact exist and as a matter of law the moving party deserves entry of judgment, the Court should render it in order to eliminate sham issues of fact, to allow the Court to pierce the pleadings and assess the proof to determine whether a genuine need for trial exists, and to avoid waste of time and resources of both the litigants and the Court where trial would be a useless formality."

"Courts exercise discretion only in denying summary judgment in a particular situation and use fastidious caution in granting it. The responsibility belongs to the Court to review all facts to determine whether a genuine issue exists as to any material fact, *which may be defined as one which affects the outcome of the litigation.*" [Emphasis added: citations and footnotes omitted].

[1] This Court is required to make the following three-step analysis. *First*, in examining the record, it must resolve all doubts against the moving party, upon whom the initial burden of justifying the motion falls, and construe the motion in the light most favorable to its opponents, *see Adickes v. S. H. Kress & Co.*, 398 U.S. 144, 90 S.Ct. 1598, 26 L.Ed.2d 142 (1970).

Second, it must ascertain whether disputes exist with regard to any material fact, defined as a fact that "affects the outcome of the litigation." *See Mutual Fund Investor, Inc. v. Putnam Management Co.*, 553 F.2d 620, 624 (9th Cir. 1977), *cert. denied* 429 U.S. 1038, 97 S.Ct. 732, 50 L.Ed.2d 748; *Goodman v. Mead, Johnson & Co.*, 534 F.2d 566 (3d Cir. 1978). While summary judgment may not be granted if there exist issues of material fact relevant to the Court's decision of the issues presented, the Court must not search for the existence of such issues. *Lockhart v. Hoenstine*, 411 F.2d 455 (3d Cir. 1969), *cert. denied*, 396 U.S. 941, 90 S.Ct. 378, 24 L.Ed.2d 244 (1969).

[2] *Third*, the Court must determine whether "a genuine need for trial" exists with regard to the decision of the legal issues presented or whether any purported factual questions are "largely illusory and a trial would be a 'useless formality.'" *See Cousins v. Yaeger*, 394 F.Supp. 595 (E.D.Pa. 1975). It may not refuse to grant summary judgment if the purported factual disputes alleged by a party are not material to decision of the legal issues in the case. *See British Airways Board v. Boeing Co.*, 585 F.2d 946, 952 (9th Cir. 1978), *cert. denied* 440 U.S. 981, 99 S.Ct. 1790, 60 L.Ed.2d 241 (1979), *reh. denied* 441 U.S. 968, 99 S.Ct. 2420, 60 L.Ed.2d 1074 (1979) (deposition evidence that plaintiff tried to introduce was not probative with regard to the ultimate issue, the cause of an airplane accident, and did not create any conflict concerning a material fact despite the obvious presence of a factual dispute). That an action involves constitutional questions does not change the standard to be applied. *See Village of Schaumburg v. Citizens For a Better Environment*, 444 U.S. 620, 100 S.Ct. 826, 63 L.Ed.2d 73 (1980), *reh. denied* 445 U.S. 972, 100 S.Ct. 1668, 64 L.Ed.2d 250 (1980) (Supreme Court affirmed the propriety of granting summary judgment for plaintiffs in a case involving interference with rights protected by the First Amendment).

[3] Applying those standards to this case, I conclude that, with regard to plaintiffs' First Amendment and Supremacy Clause claims, there are no *material* facts in dispute and there exists no "genuine need for trial."

Defendants urge this Court to deny plaintiffs' motion because of the existence of two categories of facts which, they argue, are both disputed and material, namely (1) the alleged relative disparity in economic power, size, and concentration between distributors and exhibitors, and the distributors' purported abuse of that disparity, which, defendants claim, provide justification for the Act; and, (2) the need factually to ascertain the extent and nature of the burdens that the Act may impose on constitutionally protected activities. It is true that these "facts," particularly the economic "facts," are vigorously disputed by the parties.¹⁹ However, questions that pertain to them do not require resolution in order to decide the legal issues presented in this motion. The real disputes between the parties in this case are not factual but legal and concern the standards of analysis to be applied to the Act and to plaintiffs' constitutional claims.

With regard to disparity in bargaining power and size between distributors and exhibitors, concentration in motion picture distribution and abuse of superior bargaining power by distributors, even if each and every fact put forward by defendants were assumed to be accurate for purpose of the instant motion for summary judgment, see *Adickes v. Kress, supra*, a contrary decision concerning the constitutionality of this Act on First Amendment and Supremacy Clause grounds would not be compelled. The factual issues that defendants contend exist might be material with regard to a more narrowly drawn statute, like Ohio's, whose purpose was found by Judge Duncan to be to "effect a better balance of bargaining power between exhibitors and producer-distributors. . . ." by correcting purported abuses of that bargaining power, *Allied Artists Pictures Corp. v. Rhodes, supra*, 496 F.Supp. at 429.²⁰ However, Pennsylvania's more comprehensive Act must be judged by more rigorous standards than Ohio's comparatively limited regulation and the economic facts at issue

¹⁹ The Schlanger and Fox affidavits purport to describe plaintiffs' "economic concentration" and control of the distribution of motion pictures and characterize plaintiffs' practices before the Act was passed as abuses of that superior bargaining power. Schlanger Affidavit, ¶¶ 5, 6; Fox Affidavit, ¶ 3. Plaintiffs, in their reply memorandum, vigorously contest these assertions. Thus, the "fact" of relative economic power and its implications is very much at issue. However, it is not material to the issue of the facial unconstitutionality of the Act under the First Amendment and the Supremacy Clause.

By contrast, although defendants have questioned the relevance of many of plaintiffs' factual assertions, they have not denied them in their affidavits. Rule 56(e) of the Federal Rules of Civil Procedure provides in pertinent part that "[w]hen a motion for summary judgment is made and supported as provided in this rule, an adverse party may not rest upon the mere allegations or denials of his pleading, but his response, by affidavits or as otherwise provided by this rule, must set forth specific facts showing that there is a genuine issue for trial." Defendants' efforts to create the appearance of an issue of fact do not meet the criteria of Rule 56(e).

²⁰In *Allied Artists Pictures Corp., v. Rhodes, supra*, 496 F.Supp. at 429, Judge Duncan applied the liberal "due process" tests of such cases as *United States v. Carolene Products*

are not material to the "compelling" or "significant" public purposes required to justify it.

In its broad regulation of the copyright licensing process under which motion pictures, which contain expression protected by the First Amendment, are made available to theatre audiences, the Pennsylvania Act indisputably affects rights protected by the First Amendment and granted under the federal Copyright Act, 17 U.S.C. § 101 *et seq.* See Sections III and IV, *infra*. Therefore, it must serve "compelling" or "significant" public purposes. See, e. g., *First National Bank of Boston v. Bellotti*, 435 U.S. 765, 786, 98 S.Ct. 1407, 1421, 55 L.Ed.2d 707 (1978) *reh. denied* 438 U.S. 907, 98 S.Ct. 3126, 57 L.Ed.2d 150 (1978). The facts that defendants assert are "material" are relevant to the purpose of "weighting a balance. . . .," 496 F.Supp. at 431, between private economic entities, but such equalizing of bargaining relationships between business enterprises has never been the kind of "compelling" purpose required to justify limitations upon rights protected by the First Amendment or granted by federal legislation and protected by the Supremacy Clause. Economic "facts" that might be relevant to that legitimate regulatory purpose are not material to the more compelling purposes required to sustain the constitutionality of the Pennsylvania Act.

Furthermore, assuming *arguendo* that the purpose of correcting abuses due to "economic disparity" were sufficiently compelling to justify some regulatory intrusion into rights protected by the First Amendment or some limitation on a right granted by Federal copyright legislation, the Pennsylvania Act's comprehensive combination of regulations is overbroad in its scope and goes beyond serving any such assumed legitimate purpose. The Act entirely and absolutely eliminates certain provisions from license agreements—regardless of the existence of any abuses or the existence of economic disparity between the parties or whether the practices were coerced or mutually sought. It does so by prohibiting a broad spectrum of prior practices in combination, although defendants themselves assert that practices such as guarantees were injurious primarily because combined with "blind bidding."²¹ The Act does not narrowly address itself to specific abuses, as is required when expression is affected even indirectly, see Section III, *infra*, but simply prohibits a number of licensing terms outright, in combination. For this reason, as well, although the economic facts defendants have set forth might be relevant to a more limited statute like

Co., 304 U.S. 144, 152, 58 S.Ct. 778, 783, 82 L.Ed. 1234 (1938) and *Nebbia v. New York*, 291 U.S. 502, 54 S.Ct. 505, 78 L.Ed. 940 (1934) to the more limited Ohio statute, asking only if there existed "a rational nexus between the legitimate object and the means chosen to achieve it . . .," 496 F.Supp. at 431. More stringent examination of Pennsylvania's comprehensive enactment is required.

²¹See Fox Affidavit, ¶¶ 4, 5, 7.

Ohio's that purports to correct specific abuses more precisely, they are not material to the constitutional issues presented by the Pennsylvania Act, which imposes blanket prohibitions.

Citizens For a Better Environment v. Village of Schaumburg, 590 F.2d 220 (7th Cir. 1978), *aff'd sub nom. Village of Schaumburg v. Citizens For a Better Environment*, *supra*, is directly applicable to and disposes of defendants' argument that facts concerning plaintiffs' practices before the Act was passed (about which there is dispute) are material and must be developed through discovery and a trial. In that case, plaintiff brought a declaratory attack under the First Amendment on a village ordinance that imposed a blanket requirement that 75% of the proceeds of charitable solicitation be used directly for the charitable purposes of the soliciting organization—regardless of the nature of the organization or plaintiff's activities or the existence of any abusive practices by plaintiff. The District Court held that the "75% requirement" was an impermissible, although indirect, restraint upon plaintiff's exercise of its First Amendment freedoms. On appeal, the village asserted that the entry of summary judgment was improper because there existed issues of material fact concerning plaintiff's actual practices. The Court of Appeals (and subsequently, the Supreme Court) agreed with plaintiff that those fact issues, including characterizations of plaintiff's activities, were irrelevant to the question of the overbroad ordinance's constitutionality on First Amendment grounds.

As was true in *Schaumburg*, factual questions concerning plaintiffs' practices or the alleged economic disparity between the parties are not material to decision of the Act's constitutionality. The Feature Motion Picture Fair Business Practices Law, like the ordinance in *Schaumburg*, imposes blanket (and nonwaivable) prohibitions on certain business practices in combination—all guarantees, all payment in advance of exhibition, all advance negotiation prior to a trade screening, and various other practices are simply forbidden, even if such practices have not been coerced, and regardless of any abuse of any sort by a distributor, or of whether more narrowly drawn or fewer prohibitions might correct the abuse.

As to the facts concerning the Act's burdens on constitutional rights (*see* Section III(B), *infra*), the relevant cases in the First Amendment and the Supremacy Clause areas demonstrate that the question of the Act's constitutionality may be determined from the face of the legislation without development of additional facts. The legal standard in those contexts is whether a statute presents the risk of infringing upon protected rights. Proven interference with activities protected by the First Amendment or that are the subject of comprehensive federal regulation is not a necessary prerequisite to a determination of facial unconstitutionality; the statute's potential for harm on its face is determinative. *See Village of Schaumburg v. Citizens For A Better Environment*, *supra*, 444 U.S. at 632, 100 S.Ct. at

833 (“75% requirement” created the risk of limiting advocacy of particular views); *Miami Herald Publishing Co. v. Tonillo*, 418 U.S. 241, 257, 94 S.Ct. 2831, 2839, 41 L.Ed.2d 730 (1974) (risk that requirement that newspapers provide access for views opposing editorials might cause newspapers to limit their editorials to less controversial matters); *Freedman v. Maryland*, 380 U.S. 51, 85 S.Ct. 734, 13 L.Ed.2d 649 (1965) (striking a state censorship statute that created the risk of delay in exhibiting motion pictures and thus, of suppressing protected expression); *Grosjean v. American Press Co.*, 297 U.S. 233, 250–51, 56 S.Ct. 444, 449, 80 L.Ed. 660 (1936) (state license tax on advertising stricken because of the risk that it would inhibit publication); *Crane Co. v. Lam*, 509 F.Supp. 782, CCH Fed.Sec.L.Rep. ¶ 97,896 (E.D.Pa.1981) (preliminary injunction granted against Pennsylvania Takeover Disclosure Act because of its potential for substantial interference with a federal statute).

Many facts concerning the relative economic status of the parties, plaintiffs’ practices, or the effects of the Act might be ascertained in discovery or through a lengthy trial. However, further discovery and factual development of these myriad (but non-material) facts would not affect decision of the First Amendment and Supremacy Clause issues.

III.

THE ACT’S INTERFERENCE WITH RIGHTS PROTECTED BY THE FIRST AMENDMENT.

[4] Decision of plaintiffs’ First Amendment claims disposes of this motion. Although the Act does not directly command or prohibit any type of content, it comes within the scope of the cases that have stricken indirect restraints upon content. It creates risks of restricting protected expression; its purposes do not meet the standard that the cases require, namely, that they be “substantial” or “compelling;” and its prohibitions are not drawn with the precision that is required of a state legislative regulation that affects dissemination of protected expression even indirectly.

A. *The Act imposes indirect restraints upon a protected activity*

[5] It is well-established that motion pictures are a form of creative expression protected by the First Amendment, although they are not “necessarily subject to the precise rules governing any other particular method of expression. . . .” *Joseph Burstyn, Inc. v. Wilson*, 343 U.S. 495, 503, 72 S.Ct. 777, 781, 96 L.Ed. 1098 (1952), and although this protection is not absolute. *Times Film Corp. v. Chicago*, 365 U.S. 43, 81 S.Ct. 391, 5 L.Ed.2d 403 (1961), *reh. denied* 365 U.S. 856, 81 S.Ct. 798, 5 L.Ed.2d 820. With the exception of obscenity, which is not involved in this case, this protection applies regardless of the film’s content. *See*

e. g., *Erzonik v. City of Jacksonville*, 422 U.S. 205, 95 S.Ct. 2268, 45 L.Ed.2d 125 (1975); *Interstate Circuit v. Dallas*, 390 U.S. 676, 88 S.Ct. 1298, 20 L.Ed.2d 225 (1968).

The fact that motion pictures are commercial endeavors does not alter their protected status. See *Joseph Burstyn, Inc. v. Wilson*, *supra*, 343 U.S. at 501–502, 72 S.Ct. at 780. In fact, recent cases have made it quite clear that so-called “commercial” speech engaged in by corporate entities is entitled to First Amendment safeguards. See *Metromedia Inc. v. City of San Diego*, — U.S. —, 101 S.Ct. 2882, 69 L.Ed.2d — (1981); *Consolidated Edison Co. of New York v. Public Service Comm’n.*, 447 U.S. 530, 100 S.Ct. 2326, 65 L.Ed.2d 319 (1980); *First National Bank of Boston v. Bellotti*, 435 U.S. 765, 783, 98 S.Ct. 1407, 1419, 55 L.Ed.2d 707 (1978). See also *Buckley v. Valeo*, 424 U.S. 1, 16, 96 S.Ct. 612, 633, 46 L.Ed.2d 659 (1976) (“this Court has never suggested that the dependence of a communication on the expenditure of money operates itself . . . to reduce the exacting scrutiny required by the First Amendment.”). Motion pictures, of course, cannot be equated with mere “commercial speech” such as advertisements, commercial billboards, billing inserts, or the like, See *Central Hudson Gas & Electric Corp. v. Public Service Comm’n.*, 447 U.S. 557, 100 S.Ct. 2343, 65 L.Ed.2d 341 (1980), *on remand* 51 N.Y.2d 817, 433 N.Y.S.2d 426, 413 N.E.2d 365, because, as creative expressions of ideas, they come directly within the ambit of the First Amendment. *Erzoznik v. City of Jacksonville*, *supra*; *Josephn Burstyn, Inc. v. Wilson*, *supra*.

The Act whose constitutionality is at issue in the present case obviously does not censor the content of motion pictures or require producers or distributors to adhere to one idea at the expense of others, or forbid them to make or to distribute any particular type of motion picture. In that sense, defendants are correct when they describe the Act as “content-neutral” and distinguish it from censorship regulations designed to suppress speech because of its content. See *Allied Artists Pictures Corp. v. Rhodes*, *supra*, 496 F.Supp. at 432. Obviously, the Act is not identical to an ordinance prohibiting live entertainment (see *Schad v. Borough of Mt. Ephraim*, — U.S. —, 101 S.Ct. 2176, 68 L.Ed.2d 671 (1981), or to a regulation forbidding the sale of a particular type of book to young people (see *Bantam Books v. Sullivan*, 372 U.S. 58, 83 S.Ct. 631, 9 L.Ed.2d 584 (1963)), or to a content-based restriction on what may be shown in a particular forum. See, e.g., *Southeastern Promotions, Ltd. v. Conrad*, 420 U.S. 546, 95 S.Ct. 1239, 43 L.Ed.2d 448 (1975) (striking down prohibition against use of municipal theatre for a performance of the musical “Hair”).

However, the conclusion that the Act does not regulate content, but instead, affects the distribution and exhibition of all motion pictures in Pennsylvania, regardless of content, does not dispose of plaintiffs’ claims. The Act comprehensively and directly regulates the licensing process—the means by which all motion pictures, and the ideas they contain, are made

available to the theatre-going public in the Commonwealth—and, on its face, creates risks of limiting expression. The cases hold with unanimity that, even if a statute or ordinance indirectly restrains speech, it is unconstitutional if it has that effect and does not further “an important or substantial governmental interest . . . unrelated to the suppression of free expression . . .” and “the incidental restriction on alleged First Amendment freedoms is ‘no greater than is essential to the furtherance of that interest.’” *United States v. O’Brien*, 391 U.S. 367, 377, 88 S.Ct. 1673, 1679, 20 L.Ed.2d 672 (1968), *reh. denied sub nom. O’Brien v. United States*, 393 U.S. 900, 89 S.Ct. 63, 21 L.Ed.2d 188. The “exacting scrutiny” required by the First Amendment cases “is necessary even if any deterrent effect on the exercise of First Amendment rights arises, not through direct government action, but indirectly as an unintended but inevitable result of the government’s conduct . . .” *Buckley v. Valeo*, *supra*, 424 U.S. at 64–65, 96 S.Ct. at 656 (holding unconstitutional a “content-neutral” statute that impinged upon freedom of speech by imposing expenditure limitations upon candidates for public office).

Quite recently, the Supreme Court demonstrated the continuing validity of this principal in *Village of Schaumburg v. Citizens For A Better Environment*, *supra*, 444 U.S. at 632, 100 S.Ct. at 833. It held there that an ordinance’s imposition of a flat percentage requirement on the use of proceeds from door-to-door solicitation, although it was not enacted to limit the protected solicitation and was therefore “content-neutral”, was unconstitutional because it might limit “informative and perhaps persuasive speech seeking support for particular causes or for particular views. . . .” and presented the risk that “without solicitation the flow of such information and advocacy would likely cease.” *Ibid*.

[6] The courts have made it clear that the First Amendment’s protection extends to the means of distribution of protected expression as well as to protection of content itself. *See, e.g., Philadelphia Newspapers, Inc. v. Borough Council of Swarthmore*, 381 F.Supp. 228, 240 (E.D.Pa.1974) (holding that newspaper boxes along public streets are constitutionally protected); *Lovell v. Griffin*, 303 U.S. 444, 452, 58 S.Ct. 666, 669, 82 L.Ed 949 (1938); *Grosjean v. American Press Co.*, *supra*, 297 U.S. at 251, 56 S.Ct. at 449. The Pennsylvania Act regulates the licensing process by which protected expression is made available to the public, just as the ordinance at issue in *Philadelphia Newspapers, Inc. v. Borough Council of Swarthmore*, *supra*, regulated the means of distribution of newspapers.

Defendants’ argument that, because the Act only regulates the licensing process, not the content of films themselves, it does not violate the First Amendment, must therefore be rejected. Their formulation ignores the meaning of the cases discussed above—namely, that non-traditional or indirect regulation of the means of communicating protected speech may affect the ability to communicate those ideas. *See, e.g., Grosjean v.*

American Press Co., 297 U.S. at 244–45, 56 S.Ct. at 466–47 (state license tax directed at newspapers violated the First Amendment because it might have limited circulation). Recognizing that courts must be alert to unusual restrictions upon First Amendment rights that appear innocently clothed as “indirect” restraints, the Supreme Court in *Miami Herald Publishing Co. v. Tornillo*, 418 U.S. 241, 256, 94 S.Ct. 2831, 2838, 41 L.Ed.2d 730 (1974) rejected a statutory requirement that newspapers make available space for reply to controversial editorials and wrote:

“The Florida statute operates as a command in the same sense as a statute or regulation forbidding appellant to publish specified matter. Governmental restraint on publishing need not fall into familiar or traditional patterns to be subject to constitutional limitations on governmental powers.” [Footnotes and citations omitted].

[7] Even if defendants’ characterization of the Act’s effects on protected speech as not only “indirect” but merely “peripheral” and “incidental” were correct, that would not end the injury, for “[e]ven where a challenged regulation restricts freedom of expression only incidentally or only in a small number of cases, we have scrutinized the governmental interest furthered by the regulation and have stated that the regulation must be narrowly drawn to avoid unnecessary intrusion on freedom of expression.” *Schad v. Borough of Mt. Ephraim*, *supra*, ____ U.S. at ____ n.7, 101 S.Ct. at 2183 n.7 (1981 [citing *United States v. O’Brien*, *supra*, 391 U.S. at 376–377, 88 S.Ct. at 1678–1679.]). When the standards for analyzing indirect restraints upon communication are applied to the risks that the Act’s provisions create on their face—risks of delays in licensing and of financial uncertainty as well as other burdens—it must be concluded that its restraints, although indirect, affect the dissemination of protected expression in motion pictures in a manner that violates the First Amendment.

B. *The Act creates the risk of inhibiting protected expression*

On its face, the Act creates the risk of delay in licensing and of shifting financial burdens and uncertainties—indeed, defendants argue in their affidavits that the latter is one of the Act’s purposes.²² These risks, which threaten expression itself and its dissemination in motion pictures, are inherent and unavoidable in the statutory scheme and are clear on the face of the Act.

[8, 9] Defendants correctly assert that actual proof of the Act’s impact upon the financing, booking, or release of motion pictures can only be ascertained after discovery and possibly, after a trial. However, in making this assertion, they ignore the well-established principle that the risk of infringement of First Amendment rights is sufficient to establish a statute’s

²²See, e.g., Schlanger Affidavit ¶ 10.

burdens, whether the regulation in question affects expression directly or indirectly. Proof of impact is not essential to decision of this motion on First Amendment grounds. See, e.g., *Village of Schaumburg v. Citizens For A Better Environment*, *supra*, 444 U.S. at 632, 100 S.Ct. at 833 (“75% requirement” created the risk of limiting the seeking of support for particular causes). To declare a statute or ordinance unconstitutional on First Amendment grounds, actual proof of infringement of expression is not necessary. For example, in *Murdock v. Pennsylvania*, 319 U.S. 105, 114, 63 S.Ct. 870, 875, 87 L.Ed. 1292 (1943), the Supreme Court observed that a license tax on distribution of religious literature was “likely to restrict petitioners’ religious activities. On their face, they are a restriction of the free exercise of those freedoms which are protected by the First Amendment.” See also *Schneider v. State*, 308 U.S. 147, 163, 60 S.Ct. 146, 151, 84 L.Ed. 155 (1939) (involving “indirect” time and place restrictions on leafletting which did not impose a total ban on the protected activity).

Some examples will illustrate the way these considerations apply to the risks created by the instant Act. As to delay, Sections 4, 7, and 8, as well as others, create on their face the risk of delay in licensing. Under Section 4, there may be absolutely no negotiation or solicitation of bids in Pennsylvania before a picture has been trade-screened—and, obviously, the film cannot be trade-screened before it is completed. The effect of Section 4 inevitably must be to delay licensing until after completion of the film—no matter how much information is available to an exhibitor, or regardless of the exhibitor’s size, or how intensely it wants to exhibit a given picture based on its knowledge of the talent or subject matter.²³ These requirements, on their face, create the risk of delay in licensing and potentially affect expression and its dissemination in copyrighted motion pictures.²⁴

Section 8 compounds the risk. Requirements such as that a trade screening be held before bids are invited or negotiations take place, or that, in the event that all bids are rejected, there may be no private postbidding negotiation, but instead, the picture must be re-bid, create an additional (and undesirable) risk of delay in the licensing of motion pictures that is

²³Despite its prohibitions, the Act does not require an exhibitor actually to attend a trade screening and see the motion picture in advance. It merely requires that all motion pictures offered for licensing in Pennsylvania be trade screened. See *Section C, infra*, for discussion of the way the Act goes beyond prohibiting any abuses such as coercion of an exhibitor to accept an unknown product, or deceptive practices or fraud.

²⁴See *Allied Artists Pictures Corp v. Rhodes*, 496 F.Supp. at 423, 435, where Judge Duncan found as a fact that the Ohio statute posed a risk of some delay in the release of films. He also recognized that because the Ohio statute “prohibits bidding until after trade screening, it necessarily entails that release of a completed motion picture is suspended during the time it takes to complete the bidding procedure.” *Id.* at 421.

substantial and not merely "theoretical." *Buckley v. Valeo*, *supra*, 424 U.S. at 19, 96 S.Ct. at 634. Before the Act was passed, if the bidding process failed to produce a satisfactory result, negotiations between a distributor and an exhibitor were permitted. The Acts prohibits this.

Furthermore, the requirement of Section 7, that a motion picture be "made available" after 42 days to subsequent run theatres, opens the door to additional delays if the film is to be "made available" by bidding. The risks of delays in licensing which potentially effect expression that are created by Sections 7 and 8 are obvious from the face of the Act.

Freedman v. Maryland, 380 U.S. 51, 85 S.Ct. 734, 13 L.Ed.2d 649 (1965), is perhaps the Court's definitive statement of the unconstitutionality of the risk of delay in the licensing of motion pictures for exhibition in theatres. There, a statute requiring motion pictures to be submitted to a State Board of Censors for the purpose of sorting out obscene from constitutionally protected films was held unconstitutional. The Court struck down the statute because its burdensome and time-consuming procedures created both the "risk of delay" and the "danger of unduly suppressing protected expression. . . .", 380 U.S. at 54, 85 S.Ct. at 736 [emphasis added]. The Court (Justice Brennan) observed that "in the case of motion pictures, it may take very little to deter exhibition in a given locality." *Ibid.*²⁵ Whether factual bases existed for the expectation of delay or suppression was not at issue; the standard of constitutionality was the presence of the risk.²⁶ See also *Southeastern Promotions Ltd. v. Conrad*, *supra*, 420 U.S. at 560-62, 95 S.Ct. 1239, 1247-48, 43 L.Ed.2d 448 (risk of discouraging use of a public forum and of delaying unconstitutionally affected First Amendment liberties); *Allied Artists Pictures Corporation v. Rhodes*, *supra*, 496 F.Supp. at 433 ("a delay of expression is an abridgement of it; where the delay is not justified by a substantial governmental interest it cannot be condoned."); *Goldman Theatres, Inc. v. Dana*, 405 Pa. 83, 173 A.2d 59 (1960), *cert denied* 368 U.S. 897, 82 S.Ct. 174, 7 L.Ed.2d 93 (1961).²⁷

²⁵Justice Brennan, in discussing the risk of delay created by the statute, also noted that "[i]t is common knowledge that films are scheduled well before exhibition. . . .", a point made as well by Judge Duncan in Ohio. See *Allied Artists Pictures Corp. v. Rhodes*, *supra*, 496 F.Supp. at 422.

²⁶Maryland subsequently enacted a more limited statute that met *Freedman's* requirements and that was upheld by the Supreme Court. See *Star. v. Preller*, 375 F.Supp 1093 (D.Md. 1974), *aff'd without opinion* 419 U.S. 956, 93 S.Ct. 3054, 37 L.Ed.2d. 1016 (1974).

²⁷See *Nebraska Press Association v. Stuart*, 423 U.S. 1327, 1329, 96 S.Ct. 251, 253, 46 L.Ed.2d 237 (1975), in which Justice Blackmun wrote in another context:

"Each passing day may constitute a separate and cognizable infringement of the First Amendment. The suppressed information grows older. Other events crowd upon it. To this extent, any First Amendment infringement that occurs with each passing day is irreparable."

As to financial uncertainties which might affect expression, defendants themselves assert that the licensing and exhibition of motion pictures involve “significant economic risks” (Fox Affidavit, ¶4), and that there exist certain “risks as to the economic viability of the pictures” (Schlanger Affidavit, ¶10). See also *Allied Artists Pictures Corp. v. Rhodes*, *supra*, 496 F.Supp. at 415, observing that the motion picture industry is a “high risk, high profit business.” It is clear that the Act, on its face, by prohibiting guarantees, advances, and exclusive first runs limited only by market demand, enhances the financial risks that the distributor of motion pictures must bear. This was recognized in *Allied Artists*, where Judge Duncan observed that even the less stringent Ohio statute “has a potential for increasing the plaintiffs’ production and marketing costs . . . ,” 496 F.Supp. at 423, that “[a]bolition of guarantees means the production occurs without prompt reimbursement; costs are not recovered, if at all, until after the film is completed. . . .” 496 F.Supp. at 434, and that the Ohio statute prohibited “risk-shifting devices.” *Id.* at 423. Furthermore, defendants here have complained that before the Act was passed, exhibitors were forced to bear some risks of lack of commercial success. Schlanger Affidavit, ¶ 11. The implication is that the Act has increased the risk to the producer/distributor.

In Pennsylvania, if a percentage of gross receipts license term is utilized, any guarantee of return is forbidden. This prohibition, on its face increases the acknowledged risk of the enterprise that must be borne by the makers and distributors of motion pictures. The 42-day provision (Section 7) creates the risk that exhibition of a given motion picture might not take place for a period of time sufficient to make it economically worthwhile. The prohibition against advances prevents a distributor from obtaining security from exhibitors for any reason whatsoever. These limitations on prior practices plainly have a potential impact, even though indirect, upon the production, distribution and exhibition of motion pictures, recognized as a risky undertaking.

Statutes that create the presence of financial or other risks that might inhibit expression have been held to be unconstitutional as a matter of law. Thus, in *Miami Herald Publishing Co. v. Tornillo*, *supra*, 418 U.S. 241, 257, 94 S.Ct. 2831, 2839, 41 L.Ed.2d 730 (1974), the Court found impermissible under the First Amendment the risk that newspaper editors, required to provide free space for response to controversial editorials, might feel compelled by the economics of this government-imposed access requirement to stop printing the controversial editorials. In *Buckley v. Valeo*, 424 U.S. 1, 19, 96 S.Ct. 612, 634, 46 L.Ed.2d 659 (1976) the Court observed that financial limitation “necessarily reduces the quantity of expression by restricting the number of issues discussed, the depth of their exploration, and the size of the audience reached.” Most recently, in *Village of Schaumburg*, *supra*, 444 U.S. at 632, 100 S.Ct. at 833, the

Court recognized that “without solicitation [for funds] the flow of such information and advocacy would likely cease.” Many years earlier, in *Grosjean v. American Press Co.*, *supra*, 297 U.S. at 245, 56 S.Ct. at 447, the Court held that a state license tax, directed at newspapers and magazines, and imposed on gross receipts upon advertising in well-circulated newspapers, violated the First Amendment because its “tendency is to restrict circulation . . . destroying both advertising and circulation. . . .” And in *Murdock v. Pennsylvania*, 319 U.S. 105, 114, 63 S.Ct. 870, 875, 87 L.Ed.2d 1292 (1943), it held that the costs of a commercial solicitation tax, applied to religious groups, “restrains in advance those constitutional liberties of press and religion and inevitably tends to suppress their exercise.”

Significantly, most of the above restraints were not directly or explicitly content-related. In all of the cases in which they were involved, the Court recognized the dangers of such indirect restraints to the ability to express ideas and to their free dissemination—the very risks that the Act’s restrictions pose.

On their face, the Act’s prohibitions against guarantees, long exclusive first runs, and advances throw the undisputed financial risks of motion picture production, distribution, and exhibition more heavily on the producer/distributor and create the danger of affecting the financial investment processes through which motion pictures and the ideas they express, are created and communicated.²⁸ The cases demonstrate that extensive factual analysis of the actual burdens that might be imposed by the Act is not necessary; a genuine risk of affecting activities protected by the First Amendment, if not counterbalanced by significant public governmental purposes, served by a precisely tailored enactment, is itself unconstitutional.

C. When standards for evaluating indirect restraints upon expression are applied to the Act, it is clear that its purposes are not compelling and that its restraints are overbroad.

In *United States v. O’Brien*, *supra*, 391 U.S. at 376–77, 88 S.Ct. at 1678–79, the Supreme Court set forth the still-accepted four-pronged test for evaluating the impacting of indirect statutory regulation of expression.

“To characterize the quality of the governmental interest which must appear, the Court has employed a variety of descriptive terms: compelling, substantial; subordinating; paramount; cogent; strong. Whatever imprecision inheres in these terms, we think it clear that a government regulation is sufficiently justified if it is within the constitutional power of the Government; if it furthers an important or substantial governmental interest; if the governmental interest is unrelated to the suppres-

²⁸*Allied Artists Pictures Corp. v. Rhodes*, *supra*, 496 F.Supp. at 415.

sion of free expression; and if the incidental restriction on alleged First Amendment freedoms is no greater than is essential to the furtherance of that interest.”²⁹

When the standards of analysis that are set forth in *O’Brien* and the subsequent cases that have followed its principles are applied to the Act, it is clear that the Pennsylvania Act’s explicit and implicit purposes do not meet its criteria and that the Act’s non-waivable and comprehensive prohibitions are not drawn with the narrow precision that the cases require.³⁰

With regard to purposes, the legislature’s list in Section 2 of the Act (*see* note 12, *supra*) cannot be deemed to contain purposes that are sufficiently “substantial,” “significant,” or “compelling” public or governmental interests to justify the Act.³¹ Asserted purposes 1, 4, 5, and 9 (*see* note 12, *supra*), speak generally of broadening public access to motion pictures,

²⁹*See also First National Bank of Boston v. Bellotti, supra*, 435 U.S. at 786, 98 S.Ct. at 1421. There, a state law prohibited certain businesses, such as banks, from making contributions to publicize their views on political issues, other than on questions that materially affected their property. The Supreme Court viewed this “indirect” restriction as directly limiting the subjects of corporate speech. In striking down the restraint, it forcefully stated the governing requirements:

“ [T]he State may prevail only upon showing a subordinating interest which is compelling’ . . . ‘and the burden is on the government to show the existence of such an interest. . . .’ Even then, the state must employ means ‘closely drawn to avoid unnecessary abridgement. . . .’ ” [citations omitted].

Under *Bellotti*, the state, as the proponent of legislation must meet the burden of demonstrating the existence of a compelling interest and must “closely draw” the legislative means to achieve that purpose while avoiding unnecessary abridement of free expression.

³⁰When First Amendment interests are involved, a court may not apply the liberal “rational basis” due process test of *United States v. Carolene Products Co., supra*, 304 U.S. 144, 152, 58 S.Ct. 778, 783, 82 L.Ed. 1234 (1939), and *Nebbia v. New York*, 291, U.S. 502, 537, 54 S.Ct. 505, 516, 78 L.Ed. 940 (1934), in which the “laws passed” must only have a “reasonable relation to a proper legislative purpose and [be] neither arbitrary nor discriminatory. . . .” *Id.* at 537, 54 S.Ct. at 516. Compare *Allied Artists Pictures Corp. v. Rhodes, supra*, applying that “rational basis” test to the more limited Ohio enactment and finding that “the Act rationally relates to a number of legitimate and important state interests.” 496 F.Supp. at 432. A more demanding standard is required when a state’s laws “runs afoul of some specific constitutional provision or other federal law.” *City of New Orleans v. Dukes*, 427 U.S. 297, 304, n.5, 96 S.Ct. 2513, 2517, n.5. 49 L.Ed.2d. 511 (1976), on remand 537 F.2d 856 (5th Cir.).

³¹Furthermore, a Court must look behind a recitation of purpose, for “. . . the mere recitation of a benign, compensatory purpose is not an automatic shield which protects against any inquiry into the actual purposes underlying a statutory scheme.” *Weinberger v. Wiesenfeld*, 420 U.S. 636, 648, 95 S.Ct. 1225, 1233, 43 L.Ed.2d 514 (1975). *See also Great Western United Corp. v. Kidwell*, 577, F.2d 1256, 1279 (5th Cir. 1978), *rev’d on other grounds subnom. Leroy v. Great Western United Corp.*, 443 U.S. 173, 99 S.Ct. 2710, 61 L.Ed.2d 464 (1979) (rejecting stated state legislative purposes in a takeover statute as irrelevant); *Kassel v. Consolidated Freightways Corp.*, _____ U.S. _____, _____, 101 S.Ct. 1309, 1316, 67 L.Ed.2d 580 (1981), holding (in the context of a Commerce Clause challenge to a state statute) that:

“[T]he incantation of a purpose to promote the public health or safety does not insulate a state law from . . . attack.”

particularly with regard to subsequent "runs," but, like the governmentally-coerced access found constitutionally unacceptable in *Miami Herald Publishing Co. v. Tornillo*, *supra*, 418 U.S. at 255, 94 S.Ct. at 2838, such objectives create the risk of indirect burdens that inhibit expression, and under the cases, are insufficiently compelling to justify the Act's potential restraints upon expression. Section 2, which speaks of the "access of the public" and "insuring unabridged access" to motion pictures, when read together with the requirement of Section 7, that a film be reoffered after 42 days for exhibition at subsequent run theatres, or of Section 8(e) that, once invitations for bids are issued, a motion picture may not be withdrawn, appears to run afoul of the Supreme Court's opinion in *Miami Herald*, *supra*, which rejected such requirements.

Asserted purposes 2, 3, 6 and 8 (*see* note 12, *supra*), refer generally to protection of the private business interests of the exhibitors in relation to distributors or to enhancing competition.³² However, the cases demonstrate that protection of the commercial interests of a private group, here, motion picture exhibitors, is not sufficiently "compelling" to justify intrusion into areas protected by the First Amendment.

Asserted purpose 10 simply speaks of the need to prohibit "blind bidding."

When these purposes are examined in the light of the purposes found insufficient to support regulation in such cases as *Buckley v. Valeo*, *supra*, invalidating a limitation on campaign expenditures as an indirect restraint on speech, or *Village of Schaumburg*, *supra*, invalidating the "75% requirement," or the many other cases that could be cited, it is clear that they cannot sustain this Act's restraints. An illustrative case is *Home Box Office v. Federal Communications Comm'n.*, 567 F.2d 9, 49-50 (D.C. Cir. 1977), *cert. denied sub nom. Federal Communciations Comm'n v. Home Box Office*, 434 U.S. 829, 98 S.Ct. 111, 54 L.Ed.2d 89 (1977), *reh. denied* 434 U.S. 988, 98 S.Ct. 621, 54 L.Ed.2d 484 (1977), *later app.* 587 F.2d 1248 (1978). There the Court applied the *O'Brien* criteria and struck down administrative regulations with a strong presumption of validity promulgated by the FCC and with the ostensible valid purpose of avoiding "siphoning." The Court found that, while those regulations, prohibiting all advertising during programs and limiting the number of feature films and sportcasts combined, did not regulate content directly, they violated the First Amendment as indirect restraints. Applying the *O'Brien* standard, it held (*id.* at 49-50):

³²As to enhancing competition, or asserted purpose 7, prevention of deception, even if these purposes were legitimate and/or substantial, and not mere "incantations," *see Kassel supra*, _____ U.S. at _____, 101 S.Ct. at 1316, *Village of Schaumburg, supra*, 444 U.S. at 636, 637, 100 S.Ct. at 836, the cases demonstrate that they must be served by more narrowly drawn means.

"The no-advertising and 90-percent rules clearly violate *O'Brien's* first criterion. Not only do they serve no 'important or substantial...interest,' 391 U.S. at 377...they serve no purpose which will withstand scrutiny on this record. . . . Instead, the Commission had indulged in speculation and innuendo. *O'Brien* requires that 'an important or substantial government interest' be demonstrated. . . ." (Footnotes omitted).

The purposes cited by defendants in their briefs (such as correcting the effects of economic disparity) do not advance their argument. Indeed, they weaken defendants' argument by emphasizing the absence of any compelling *public* purposes that serve as a foundation for the Act's broadly conceived restraints.

Defendants have argued that the Act is no different from the laws of general application designed to implement policies such as equal employment, antitrust, zoning, product safety, fraud prevention, or consumer protection and the like, and that its effects are "peripheral" restrictions on expression with which the First Amendment, whose purpose is to protect fundamental freedoms, is not concerned. It is true that cases like *Pittsburgh Press Co. v. Pittsburgh Comm'n. on Human Relations*, 413 U.S. 376, 93 S.Ct. 2553, 37 L.Ed.2d 669 (1973), *reh. denied*. 414 U.S. 881, 94 S.Ct. 30, 38 L.Ed.2d 128, where the Court held that the newspaper industry whose "product" is protected speech must follow the laws governing equal employment, and others cited by defendants that uphold statutes of general application regulating antitrust violations or labor relations, demonstrate that businesses whose product is expression are as subject as are any other enterprises to laws of general application carrying out valid public purposes. However, the Pennsylvania Act is not a statute of general application but a comprehensive regulatory enactment directly regulating motion picture licensing and its purposes are not comparable to those in the regulation upheld in *Pittsburgh Press*; nor are the Act's effects "peripheral."³³ The cases on which defendants rely do not support this Act's comprehensive regulation of the means of distribution and exhibi-

³³Thus, this case is very different from those cited by defendants. Compare *Lorain Journal Company v. United States*, 342 U.S. 143, 72 S.Ct. 181, 96 L.Ed. 162 (1951) (newspapers are subject to the antitrust laws); *Oklahoma Press Publishing v. Walling*, 327 U.S. 186, 66 S.Ct. 494, 90 L.Ed. 614 (1946) (the Fair Labor Standards Act applies to newspapers); *United States v. Hunter*, 459 F.2d 205 (4th Cir.) *cert. denied sub nom. Hunter v. United States*, 409 U.S. 934, 93 S.Ct. 235, 34 L.Ed.2d 189 (1972), *reh. denied* 413 U.S. 923, 93 S.Ct. 3046, 37 L.Ed.2d 1045 (1973) (prohibition against publication of discriminatory housing advertisements in newspapers is not a First Amendment violation). Each of these cases involved significant federal policies exemplified in federal enactments of general application as applied to industries otherwise protected by the First Amendment, in contrast to this case. Nor is this case like *United States v. Paramount Pictures Corp.*, 334 U.S. 131, 68 S.Ct. 915, 92 L.Ed. 1260 (1948) in which the court applied the federal antitrust laws to the motion picture industry.

tion of motion pictures in Pennsylvania — regulation that is addressed solely to one aspect of one business. *See, e.g., Metromedia, Inc. v. City of San Diego, supra*, ____ U.S. at ____, 101 S.Ct. at 2896.

Nor is the Act like a consumer protection statute. Despite the general language in Section 2, the Act limits transactions between business entities, not between the ultimate consumer and an entity engaged in deceptive practices. *Compare Donaldson v. Reed Magazine, Inc.*, 333 U.S. 178, 68 S.Ct. 591, 92 L.Ed. 628 (1948) (postmaster-general determined that a contest was fraudulent and refused to allow use of the mails for circulation of books and magazines offering prizes); *Savage v. Commodity Futures Trading Comm'n.* 548 F.2d 192 (7th Cir. 1977) (regulation of fraud in commodity trading).

The purposes of Section 2, and those which defendants propose, might well be valid and support another, more limited regulation, possibly one more closely resembling the Ohio statute. Judge Duncan's observation, that "delay is a direct result of trade screening, the importance of which to the state's regulatory purposes has been earlier emphasized. . . .," 496 F.Supp. at 435, is applicable to a statute, that, unlike Pennsylvania's, does not prohibit all guarantees and advances, and that does not require that films be "made available" after 42 days to subsequent run theatres, but which, instead, primarily eliminates blind bidding. *This* comprehensive regulation sweeps too broadly and requires more substantial purposes to justify it.

Even if the purposes asserted in Section 2 of the Act were sufficiently "substantial" or "compelling" to justify *some* regulation, the Act is not the precisely drawn enactment that the Court requires. In *Village of Schaumburg v. Citizens For A Better Environment, supra*, 444 U.S. at 636-637, 100 S.Ct. at 836, the Supreme Court held that the village's "75% requirement" could not be sustained unless (1) it served a sufficiently strong interest that the village was entitled to protect and (2) did not unnecessarily (and overbroadly) restrict expression. The village alleged that prevention of fraud was its principal justification (like asserted purpose 7 here, 73 P.S. § 203-2(7)). The Court (Justice White) not only found no substantial relationship between the 75% requirement and any valid goals of fraud prevention, public safety, or residential privacy; it wrote:

"The Village may serve its legitimate interests, but it must do so by narrowly drawn regulations designed to serve those interests without unnecessarily interfering with First Amendment freedoms."

Id. at 637, 100 S.Ct. at 836.

See also Schad v. Borough of Mt. Ephraim, supra, ____ U.S. at ____, 101 S.Ct. at 2184-87, where the Supreme Court reversed convictions for violating that portion of a village zoning ordinance that barred "live entertainment" from the uses permitted in the borough's commercial

zones. The borough argued that the purposes of the prohibition were to serve the immediate needs of borough residents and to avoid parking and police problems—normally, valid zoning goals. *Id.* at _____ — _____, 101, S.Ct. at 2184–87. The Court found that the ordinance’s purposes were not sufficiently substantial to justify the overly restrictive means used:

“[W]hen a zoning law infringes upon a protected liberty, it must be narrowly drawn and must further a sufficiently substantial government interest. . . . Similarly, in *Village of Schaumburg v. Citizens for a Better Environment*, 444 U.S. 620, 637, 100 S.Ct. 826, 836, 63 L.Ed.2d 73 (1980), it was emphasized that the Court must not only assess the substantiality of the government interests asserted but also determine whether those interests could be served by means that would be less intrusive on activity protected by the First Amendment. . . .” *Id.* at _____ — _____, 101 S.Ct. at 2182-2184.

If a zoning ordinance that would traditionally survive judicial scrutiny, see *Village of Belle Terre, v. Boraas*, 416, U.S. 1, 94 S.Ct. 1536, 39 L.Ed.2d 797 (1974), must meet such strict criteria, logically, regulation of bargaining relationships in motion picture licensing, a far less compelling or public state activity, must meet them—even when that regulation is “content-neutral” in contrast to an ordinance prohibiting live entertainment. *Accord: Schneider v. State*, 308 U.S. 147, 162, 60 S.Ct. 146, 151, 84 L.Ed. 155 (1939) (invalidating restrictions on door-to-door and street distribution of circulars when government’s purpose could be achieved less restrictively); *Space Age Products, Inc. v. Gilliam*, 488 F.Supp. 775 (D.Del.1980) (even so valid an objective as elimination of fraud did not justify an overbroad “prior restraint” on plaintiff’s First Amendment rights, although the “speech” in question, unlike motion pictures, was mere advertising for a “pyramid” scheme).

The Act’s provisions strike too broadly and affect protected rights more substantially than the cases permit. Several examples of its overbreadth are apparent on its face. For example, assuming *arguendo* that asserted purpose 7 (prevention of “deceptive practices”) were deemed both to be “substantial” and a purpose intended by the legislature, a more specific bill mandating advance disclosure or permitting cancellation of a license agreement after screening, or even simply requiring an advance trade screening would address that issue more directly and with less impact upon protected rights. However, the Act couples prohibitions against guarantees and advances with those against blind bidding, although the affidavits of defendants Budco and Fox argued forcefully that guarantees were undesirable primarily because, if a film were not trade-screened, an exhibitor would not have seen a film before entering into a license agreement in which he guaranteed a return to the distributor.³⁴ According to

³⁴Fox Affidavit at ¶¶ 4, 5, 7. Thus, Fox speaks of the evils of “the combination of guarantees and not being able to see a film before bidding on or negotiating for it. . . .” ¶5.

defendants' own rationale, the Act is overbroad on its face (and violates the *O'Brien* criteria) when it prevents an exhibitor from offering a guarantee (or an advance) to compete to obtain a picture once advance trade screenings have been required.

Defendants also argue that the Act's restrictions are mere "time," "place," and "manner" regulation, see *Grayned v. City of Rockford*, 408 U.S. 104, 116-117, 92 S.Ct. 2294, 2303, 33 L.Ed.2d 222 (1972) and rely on *Young v. American Mini Theatres, Inc.*, 427 U.S. 50, 96 S.Ct. 2440, 49 L.Ed.2d 310 (1976), *reh. denied* 429 U.S. 873, 97 S.Ct. 191, 50 L.Ed.2d 155 (1976), for the proposition that mere indirect regulation of the time and place of speech offends no constitutional provision. In their view, requiring advance trade screenings, mandatory rebidding, and reoffers of films after 42 days are reasonable regulations that leave open sufficient alternative channels for communication to avoid unconstitutional restriction. *Young*, however, is not dispositive of this case, nor has it been accorded much weight in subsequent Supreme Court decisions (see, e.g., *Schad v. Borough of Mt. Ephraim*, *supra*, ____ U.S. at ____, 101 (S.Ct. at 2184)).

First, in contrast to the instant case, which involves the direct regulation of all aspects of the motion picture licensing process, *Young* only restricted the location of certain specific theatres showing sexually explicit "adult" films. Thus, it regulated one narrow aspect of motion picture exhibition that is not involved in this case. By contrast to the regulation in *Young*, the instant Act directly regulates the entire process of licensing of motion pictures (for exhibition in theatres in Pennsylvania (and is not concerned with such peripheral First Amendment matters as obscenity)).

Second, in upholding the ordinance in *Young* (by a 5-4 vote), the Court emphasized the existence of evidence presented to the lawmakers of neighborhood deterioration due to concentration of the regulated theatres. 427 U.S. at 62, 96 S.Ct. at 2448. There have been no comparable findings here.

Finally, in *Young*, the challenged ordinance merely dispersed the theatres being regulated and had no impact upon the availability of the sexually explicit films. See 427 U.S. at 71, n.35, 96 S.Ct. at 2453, n.35. It is questionable whether such provisions as the Act's time limitation on exclusive first runs is comparable to that "dispersal:" it creates the risk of potential economic impact and limiting availability of all types of films.

In *Schad v. Borough of Mt. Ephraim*, *supra*, the borough, relying on *Young*, argued that its zoning ban on live entertainment was mere "time," "place," and "manner" regulation. It claimed, *inter alia*, that because live entertainment was amply available outside the borough, opportunities for this form of expression had not been restricted (this is comparable to an argument that Section 7, which sets a time limit on exclusive first runs, is constitutional "time," "place," and "manner" regulation because the films

will be available in locations other than prime theatres). The Supreme Court rejected that view and, quoting from *Schneider v. State*, 308 U.S. 147, 163, 60 S.Ct. 146, 151, 84 L.Ed. 155 (1939) observed that "one is not to have the exercise of his liberty of expression in appropriate places abridged on the plea that it may be exercised in some other place." *Id.* _____ U.S. at _____, 101 S.Ct. at 2188.

The Act's provisions directly regulate and affect the licensing process which permits dissemination of expression contained in motion pictures to theatre audiences in Pennsylvania. The Act is not the narrowly drawn regulation that the cases require when First Amendment rights are affected. The Act is not a law of general application. The risks to expression that it creates, although indirect, are apparent on its face. In the absence of compelling governmental interests, directly and precisely served by legislation with a substantial relationship to them, *Village of Schaumburg, supra*, 444 U.S. at 639, 100 S.Ct. 837, its indirect restraints on expression cannot stand, even though they are not phrased as direct regulation of content.

IV. THE ACT'S INTERFERENCE WITH FEDERAL COPYRIGHT LAW.

The foregoing analysis is, of course, dispositive of this motion. However, because of the importance of this constitutional challenge to a significant state legislative enactment, in which it is claimed that the state enactment interferes with federal law, this opinion will also discuss plaintiff's Supremacy Clause claim.

Initially, it is important to observe that the case law provides little guidance with regard to the constitutionality of such comprehensive regulation of copyright licensing by a state.³⁵ However, such analogies as

³⁵This Court has carefully examined the cases cited in the parties' briefs and has independently sought for additional authority in this area. There is very little direct case authority on the issue before the court. Those cases in which state action in the copyright area has been stricken deal primarily with conflicting grants of copyright. *See e.g., Mills Music, Inc. v. Arizona*, 591 F.2d 1278 (9th Cir. 1979). Compare *Remick Music Corp. v. Interstate Hotel Co.*, 58 F.Supp. 523 (D.Neb.1944), *aff'd sub nom. Interstate Hotel Co. v. Remick Music Corp.*, 157 F.2d 744 (8th Cir. 1946), *cert. denied* 329 U.S. 809, 67 S.Ct. 622, 91 L.Ed. 691 (1947), *reh. denied* 330 U.S. 854, 67 S.Ct. 770, 91 L.Ed. 1296 (1947), holding that a state law was unconstitutional because it required a copyright holder to offer his property for sale in a certain way and limited his right to fix the terms and the price of a license. *Id.* 58 F.Supp. at 543-4. In *Remick*, failure to comply with the state law resulted in virtual forfeiture of the copyright.

The cases cited by defendants for the proposition that there is no conflict between the state and federal schemes are inapposite in that they deal with application of the antitrust laws or other laws of general application to copyrighted property or to trademarks or with taxes of general application.

exist in the cases and analysis and comparison of the two statutory schemes convince this Court that a conflict impermissible under the Supremacy Clause exists between the Act and federal copyright law.

The issue of whether the Pennsylvania Act must be deemed preempted under the Supremacy Clause, U.S. Const., Art. VI, cl. 2, raises "sensitive issues of state/federal relations. . . .," *Allied Artists Pictures Corp. v. Rhodes*, *supra*, 496 F.Supp. at 442, and this Court has approached that determination with caution. The often-stated and well-established criteria that govern preemption were summarized in *Jones v. Rath Packing Co.*, 430 U.S. 519, 525-26, 97 S.Ct. 1305, 1309-10, 51 L.Ed.2d 604 (1977), *reh. denied* 431 U.S. 925, 97 S.Ct. 2201, 53 L.Ed.2d 240:

"The first inquiry is whether Congress, pursuant to its power to regulate commerce, U.S.Const., Art. 1, § 8, has prohibited state regulation of the particular aspects of commerce involved in this case. Where . . . the field which Congress is said to have pre-empted has been traditionally occupied by the States, 'we start with the assumption that the historic police powers of the States were not to be superseded by the Federal Act unless that was the clear and manifest purpose of Congress.' . . . But when Congress has 'unmistakably . . . ordained,' that its enactments alone are to regulate a part of commerce, state laws regulating that aspect of commerce must fall. This result is compelled whether Congress' command is explicitly stated in the statute's language or implicitly contained in its structure and purpose.

"Congressional enactments that do not exclude all state legislation in the same field nevertheless override state laws with which they conflict. U.S.Const., Art. VI. The criterion for determining whether state and federal law are so inconsistent that the state law must give way is firmly established in our decisions. Our task is 'to determine whether, under the circumstances of this particular case, [the State's] law stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress.'" [citations omitted]

See also *Maryland v. Louisiana*, _____ U.S. ____, ____, 101 S.Ct. 2114, 2128, 69 L.Ed.2d ____ (1981); *Hines v. Davidowitz*, 312 U.S. 52, 61 S.Ct. 399, 85 L.Ed. 581 (1941).

The history, purposes and provisions of the 1976 Copyright Act demonstrate that, in this area, Congress has "unmistakably ordained" that federal enactments are to govern.³⁶ See the Notes of the Committee on the

³⁶See *Morseburg v. Balyon*, 621 F.2d 972 (9th Cir.) *cert denied*, _____ U.S. ____, 101 S.Ct. 399, 66 L.Ed.2d 245 (1980) in which this principle—that whether a particular conflict between state and federal laws will be found tolerable or unconstitutional normally depends upon the relative strength and nature of the federal and state interests involved—recently was discussed. The Court of Appeals rejected the argument that a state transfer tax on royalties should be preempted under the former Copyright Act. The Court observed that when the "area of occupation" is peculiarly federal, or nationwide in its concern, the Supreme Court has emphasized the national interest and has found preemption.:

"[C]ertain basic doctrinal notions repeatedly are used in applying preemption. Thus, the extent to which the federal law has 'occupied the field' and the presence of 'conflict' between

Judiciary, House Report No. 94-1476, 94th Cong., 2d Session, 1976 reprinted at pp. 271-72 of 17 U.S.C.A. (1977), U.S. Code Cong. & Admin. News 1976, 5659. To make these intentions enforceable, Congress enacted an explicit statutory preemption section in the 1976 Copyright Act, Section 301(a), 17 U.S.C. § 301(a). That section provides, in pertinent part, that:

“(a) On and after January 1, 1978, all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106 in work of authorship that are fixed in a tangible medium of expression and come within the subject matter of copyright as specified by sections 102 and 103, whether created before or after that date and whether published or unpublished, are governed exclusively by this title. Thereafter, no person is entitled to any such right or equivalent right in any such work under the common law or statutes of any state.”

Section 301(b) establishes certain exemptions. Significantly, Congress broadened the scope of Section 301(a) from an earlier version (H.R. 4347, 89th Congress, 2d Sess. (1966)) which had provided only that “all rights in the nature of copyright” were preempted and, at the same time, eliminated from the same earlier version of Section 301(b) specific examples of exemptions to the preemption provision, such as breaches of contract or deceptive practices. *See generally* discussion in *Nimmer on Copyright* ¶101.(b) at pp. 1-10 through 1-19 (1978).

As defendants correctly point out, the Act does not make recompense to the copyright holder impossible, nor does it establish a conflicting system of state copyright which would obviously be preempted under Section 301. However, as Judge Duncan stated in *Allied Artists*, the standard is whether state legislation, “grants, creates, or destroys” rights equivalent to those of a copyright. *Allied Artists Pictures Corp v. Rhodes, supra*, 496 F.Supp. at 443 (emphasis added), and, in certain ways, the Act has that ef-

the federal and state law have always been focuses of analytical attention. The nature of the Court's emphasis at a particular time is revealed by whether ‘occupation of the field’ and ‘conflict’ are easily found to exist or not. ‘Occupation’ can require no more than the existence of a federal law generally applicable to a significant portion of the area in question to no less than an express statement demonstrating an intention to occupy the field duly enacted by Congress. ‘Conflict’ likewise, can require no more than a mechanical demonstration of potential conflict between federal and state law to no less than a showing of substantial frustration of an important purpose of the federal law by the challenged state law.” 621 F.2d at 976.

Recently, in *McCarty v. McCarty*, ____ U.S. ____, 101 S.Ct. 2728, 69, L.Ed.2d ____ (1981), the Court held that even in the area of domestic relations, which “belongs to the laws of the States and not to the laws of the United States. . . .,” *In re Burrus*, 136 U.S. 586, 593-94, 10 S.Ct. 850, 852-53, 34 L.Ed. 500 (1890), a state's community property laws must give way to federal law as enacted in military retirement statutes.

fect. See discussion at pp. 993–995, *infra*. Compare *Remick Music Corp. v. Interstate Hotel Co.*, *supra*, 58 F.Supp. at 543–4.

However, the Court need not find statutory preemption; the more general question of conflict of the two statutory schemes under the Supremacy Clause is decisive. Plaintiffs contend that the Act limits the exercise of federally created rights and, therefore “stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress.” *Hines v. Davidowitz*, *supra*, 312 U.S. at 67, 61 S.Ct. at 404. Analysis of the purposes and objectives of the Copyright Act and the Pennsylvania Act’s impact upon them convinces me that plaintiff’s arguments have merit.

To ascertain those purposes, it is necessary, first, to look at the constitutional provision governing copyrights and second, at the Copyright Act itself. Article 1, Section 8, Cl. 8 provides the Congress has the power “[t]o promote the Progress of Science and useful Arts, by securing, for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.” This provision makes clear that the public goal—promoting “Science and useful Arts”—is to be served by the means of rewarding the “Author.” Furthermore, the legislative history of both the 1976 Copyright Act and its predecessor, as well as the relevant cases decided under both federal Acts, demonstrate that, while the public interest in the dissemination of copyrighted material, is, of course, paramount, *Fox Film Corp. v. Doyal*, 286 U.S. 123, 52 S.Ct. 546, 76 L.Ed. 1010 (1932), Congress believed that “encouragement of individual effort by personal gain is the best way to advance public welfare through the talents of authors. . . .” *Mazer v. Stein*, 347 U.S. 201, 74 S.Ct. 460, 98 L.Ed 630 (1954), *reh. denied*, 347 U.S. 949, 74 S.Ct. 637, 98 L.Ed. 1096 (1954). Thus, in *Goldstein v. California*, 412 U.S. 546, 555, 93 S.Ct. 2303, 2309, 37 L.Ed.2d 163 (1973), *reh. denied* 414 U.S. 883, 94 S.Ct. 27, 38 L.Ed.2d 131 (1973), interpreting the former Copyright Act, the Court explained that “to encourage people to devote themselves to intellectual and artistic creation, Congress may guarantee to authors and inventors a reward in the form of *control over the sale or commercial use* of copies of their works” [emphasis added].

Section 106 of the 1976 Copyright Act, 17 U.S.C. § 106, protects the right of the copyright holder to profit from its creative efforts and governs the way in which a copyright holder may distribute its work to the public and realize the economic benefits of that work. It provides that a holder of a copyright has, among others, the “exclusive rights to do and to authorize any of the following:”

* * * * *

“(3) to distribute copies or phono-records of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease or lending;

“(4) in the case of literary, musical, dramatic and choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly. . . .”

The legislative history of Section 106 indicates the importance accorded by the draftsmen of the Copyright Act to the right of the copyright holder to “distribute [his works]. . . . by rental, lease, or lending. . . .” The notes of the Committee on the Judiciary, House Report No. 94-1476, show that “[t]he five fundamental rights that the bill gives to copyright owners—the exclusive rights of reproduction, adaptation, publication, performance, and display—are stated generally in section 106. These exclusive rights, which comprise the so-called ‘bundle of rights’ that is a copyright, are cumulative and may overlap in some cases [emphasis added].” 17 U.S.C.A. at 100. Clearly, the Committee viewed the right to license as an essential element of the copyright itself. State regulation that interferes with that right interferes with the essence of the copyright grant and with the achievement of the Congressional objectives.

Furthermore, the same Committee notes make clear the Congressional intent that “the copyright owner would have the right to control the first public distribution of an authorized copy of his work *whether by sale, gift, loan, or some rental or lease arrangement*. . . . [emphasis added],” *id.* at 101, the choice clearly being the copyright holder’s.

Although the Pennsylvania Act does not prohibit the grant of a copyright under federal law or establish a competing copyright system or equivalent right under state law, its provisions substantially restrict the conditions under which a copyright holder may distribute and license its work. Its regulation of the conditions under which “rental, lease, or lending” may take place interferes with the federally created rights granted by § 106 and with the copyright holder’s “control over the sale or the commercial use. . . .” of its work, *Goldstein, supra*, 412 U.S. at 555, 93 S.Ct. at 2309, in ways that the Ohio statute upheld in *Allied Artists* does not.

For example, Section 6 of the Pennsylvania Act makes unlawful the inclusion of any advances in licenses. By contrast, an exhibitor who wishes to do so may offer an “advance” in Ohio, where a short (14 day) advance is permitted in a license agreement. Thus, while the Ohio statute upheld in Judge Duncan’s opinion in *Allied Artists* may not have unconstitutionally limited a copyright holder’s control over the commercial use of its work, the Pennsylvania Act goes further.

A second example is the Pennsylvania Act’s absolute prohibition of all guarantees in combination with percentage payments. In *Allied Artists*, Judge Duncan recognized that the Ohio statute merely prohibited the conditioning of a license agreement upon a demand of a guarantee when a percentage rental was sought, unlike Pennsylvania’s Act, which prohibits

all guarantees outright, and implied that otherwise, he might have come to a contrary decision about the Ohio statute's constitutionality:

"First, plaintiffs assert that the Ohio Act's prohibition of licenses conditioned on guarantees conflicts with the right afforded by copyright owner 'to distribute copies . . . by rental, lease, or lending.' Plaintiffs contend that as a result of this prohibition, the owner of a copyright in a motion picture is faced with the mutually exclusive choices of licensing his film for a fixed price (guarantee) and licensing his film only for a participation in its profits (film rental). Plaintiffs contend that the Ohio Act operates to deny to an artist one of the most basic rights inhering in private property—the right to sell or lease the property for a fixed price reflecting its value to the lessee.

"As a factual matter, the Act does not present the plaintiffs with the Hobson's Choice indicated. By its terms, it does *not* prohibit guarantees; *it merely prohibits conditioning the granting of a license agreement on the payment of a guarantee when a film rental is also sought. The Act merely limits the circumstances under which guarantees may be obtained to situations in which the licensor does not compel the licensee to promise a guarantee as a condition to receiving the license.* Yet in so doing, the Act does restrict the formerly unfettered discretion in producer-distributors to demand payment by guarantees." [Emphasis added]

496 F.Supp. at 445.

In Pennsylvania, the Act poses exactly this "Hobson's Choice."

A third example of interference with § 106 is Section 7 of the Act, which regulates the term of the license—a provision which is not included in the Ohio statute at all. After 42 days, the film must be reoffered for licensing, and the run must be "expanded." The copyright holder's freedom to license or not to license is directly affected by this section of the Act.

The bidding requirements (also present in Ohio) restrict the licensor's control and freedom to license even further. Once bids are sought, a motion picture license may not thereafter be negotiated privately. Section 8 also requires that bidders be informed of the terms of competitors' bids. Since negotiation may not take place if all bids are rejected, return to the copyright holder is necessarily affected, for on rebidding, competing exhibitors know the terms that were previously rejected. Furthermore, Section 8 prohibits the licensor from withdrawing the film from the market once bidding is initiated and all bids are rejected, further restricting his freedom not to license under the Copyright Act.

In addition, the requirement of Section 4, that an advance screening be held, requires the copyright holder to delay licensing to a time subsequent to the time at which he is permitted to license under the Copyright Act. This requirement, also present in Ohio, conflicts with § 106. *See Kennecott Corp. v. Smith*, 637 F.2d 181, 188 (3d Cir. 1980) (New Jersey Takeover Bid Disclosure Law, delaying "commencement" of a tender offer, conflicted with 5-day waiting period in SEC Rule 14(d)-2, 17 C.F.R. § 240-14(d)2(b) (1980); *Crane Co. v. Lam*, 509 F.Supp. 782, CCH Fed. Sec.L.Rep., ¶97,896 (E.D.Pa.1980) (Pennsylvania Takeover Disclosure Act imposed a time period that conflicted with that in the Williams Act).

These conflicts with the constitutional goals and Congressional intent as it appears in the history of the 1976 Copyright Act are apparent on the face of the Pennsylvania Act. Given the importance of the exclusive right to license, of the right of control and choice of the means of distribution, and the significance of return to the copyright holder, the conclusion that the Act's restrictions "stand as an obstacle" to accomplishment of the Congressional objectives is compelled.

Defendants cite *Fox Film Corp. v. Doyal*, 286 U.S. 123, 52 S.Ct. 546, 76 L.Ed. 1010 (1932) for the proposition that reduction of licensing revenues is not unconstitutional in and of itself, and, of course, that general proposition is correct in the abstract. See also *United States v. Paramount Pictures Corp.*, *supra*, 334 U.S. at 158, 68 S.Ct. at 929; *Allied Artists*, *supra*, 496 F.Supp. at 446-47. But *Fox Film* only holds that a non-discriminatory state gross receipts tax of general application (which this Act is not) may be applied to revenues received from copyright licensing. Its circumstances are not analogous to the Act's direct regulation of licensing terms and its interference with the licensor's control of the commercial use of its work.

Defendants also rely on cases in which state laws of general application regulating conduct found to be against public policy, only peripherally related to copyright licensing or to trademarks, were upheld. See *Watson v. Buck*, 313 U.S. 387, 404, 61 S.Ct. 962, 968, 85 L.Ed. 1416 (1941) (regulating restraint of trade); *Mariniello v. Shell Oil Co.*, 511 F.2d 853 (3d Cir. 1975) (regulating franchise terminations). However, by contrast to the statutes in those cases, the Act directly and exclusively regulates the process of licensing copyrighted property and directly restricts licensing terms in the agreements themselves, such as guarantees, advances, or the period of the license, rather than condemning behavior that contravenes public policy.

The Act's limit upon the duration of the license, upon when a distributor may license, its prohibition of guarantees and advances, and its bar against licensing or negotiations prior to screening, as well as against consummating a license without complying with rebidding requirements, all directly—and severely—restrict the rights of the licensor. If the question before this Court were merely whether "the mere existence of the [Copyright Act] [prohibits] all lawmaking relating to [copyright]. . . ." *Mariniello*, 511 F.2d at 857, another answer would be required. Here, however, the issue is whether the Pennsylvania Act's broad and comprehensive regulation of the process of licensing copyrighted motion pictures conflicts with the objectives of Congress in its enactment of the Copyright Act. For the reasons stated above, I find that the Act conflicts with Congress' grant of rights under the Copyright Act and ". . . stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress. . . ." *Jones v. Rath Packing Co.*, *supra*, 430 U.S. at 526, 97 S.Ct. at 1310.

v.

THE COMMERCE CLAUSE, DUE PROCESS AND STATE LAW CLAIMS

Because the foregoing analysis is dispositive of plaintiffs' motion, this Court need not decide the remaining constitutional arguments.

CONCLUSION

For these reasons, plaintiffs' motion for summary judgment will be GRANTED. An appropriate order will be entered.

This entry of judgment also disposes of plaintiffs' appeal from the Magistrate's Order of September 22, 1980 in plaintiffs' favor. Plaintiffs' motion concerning the counterclaim of Budco Quality Theatres, Inc. will be ruled upon in due course.

ATARI, INC. v. AMUSEMENT WORLD, INC., et al.

Civ. No. Y-81-803

(United States District Court, D. Maryland—November 27, 1981)

547 F.Supp. 222. 215 USPQ 929

Plaintiff, holder of copyright on electronic video game "Asteroids," sought to enjoin defendants and its president from manufacturing or distributing any product in violation of plaintiff's copyright. The District Court, Joseph H. Young, J., held that : (1) plaintiff's "Asteroids" video game was copyrightable as an audiovisual work and as a motion picture, and plaintiff need not have copyrighted computer program, as embodied in printed circuit board; (2) plaintiff complied with applicable statutory procedures for registering copyright; and (3) despite number of similarities in design features of the two games, defendant's video game "Meteors" was not substantially similar to and was not an infringing copy of plaintiff's "Asteroids" game.

Preliminary injunction denied and judgment entered for defendant.

1. Copyrights and Intellectual Property

Ownership of copyright includes: originality in author; copyrightability; citizenship status of author; compliance with applicable statutory formalities; and, if plaintiff is not the author, relationship between author and plaintiff so as to constitute plaintiff a valid copyright claimant.

2. Copyrights and Intellectual Property

Copyright registration certificate provides prima facie evidence of elements of claim of ownership of copyright. 17 U.S.C.A. § 410(c).

3. Copyrights and Intellectual Property

Plaintiff's "Asteroids" video game was copyrightable as an audiovisual work and as a motion picture, and plaintiff need not have copyrighted computer program, as embodied in printed circuit board. 17 U.S.C.A. §§ 101, 102(a)(6).

4. Copyrights and Intellectual Property

Specific medium in which work is fixed is irrelevant; as long as copyrightable work is fixed in some tangible medium, work is entitled to copyright protection. 17 U.S.C.A. § 101.

5. Copyrights and Intellectual Property

Owner of copyrightable work need not, and indeed, cannot copyright medium in which work is fixed. 17 U.S.C.A. § 101.

6. Copyrights and Intellectual Property

Plaintiff, by copyrighting its "Asteroids" video game, was not impermissibly attempting to copyright an idea, rather than expression of idea. 17 U.S.C.A. § 102(b).

7. Copyrights and Intellectual Property

Given bulkiness and cost of actual video game, video tape of audiovisual presentation in game was reasonable alternative identifying material, within meaning of Copyright Office regulation, allowing Register of Copyrights to permit deposit of only one copy or "alternative identifying material."

8. Copyrights and Intellectual Property

Plaintiff may prove copying of its copyright by showing that defendants had access to plaintiff's work and that two works are substantially similar.

9. Copyrights and Intellectual Property

While one's expression of idea is copyrightable, underlying idea one uses is not.

10. Copyrights and Intellectual Property

When idea is such that any use of that idea necessarily involves certain forms of expression, one may not copyright those forms of expression, because to do so would be in effect to copyright underlying idea.

11. Copyrights and Intellectual Property

In cases in which creator's expression of idea includes some forms of expression that are essential to idea, i.e., forms of expression which cannot be varied without altering idea, and some forms of expression that are not essential to idea, latter forms of expression are

copyrightable, but former are not, because if creator could copyright essential forms of expression, then others would effectively be barred from using underlying idea.

12. Copyrights and Intellectual Property

Despite number of similarities in design features of the two games, defendant's video game "Meteors" was not substantially similar to and was not an infringing copy of plaintiff's "Asteroids" game, since similarities in forms of expression were inevitable and ordinary player would regard aesthetic appeal of the two games as quite different.

John J. Sweeney, Jr., Baltimore, Md., and Elliot B. Aronson, San Francisco, Cal., for plaintiff.

Benjamin Lipsitz, Baltimore, Md., and Arthur J. Levine, Washington, D. C., for defendant.

MEMORANDUM OPINION AND ORDER

JOSEPH H. YOUNG, *District Judge*. Atari, Inc., holder of a copyright on the electronic video game "Asteroids," seeks to enjoin defendants Amusement World, Inc., and its president Stephen Holniker, from manufacturing or distributing any product in violation of plaintiff's copyright.

In October, 1979, plaintiff Atari, introduced "Asteroids," a video game in which the player commands a spaceship through a barrage of space rocks and enemy spaceships. Plaintiff has sold 70,000 copyrighted "Asteroids" games for a total of \$125,000,000, making "Asteroids" the largest-selling video game ever (not counting sales in Japan).

Defendant Amusement World, Inc., is a small closely-held corporation employing a total of five people. Its business has consisted largely of repair work on coin-operated games, but recently it has attempted to enter the lucrative video business by producing and distributing a video game called "Meteors."

On March 3, 1981, plaintiff first became aware that defendants were selling "Meteors," which plaintiff alleges is substantially similar to "Asteroids." On March 18, 1981, plaintiff sent defendants a cease and desist letter, which defendants have ignored. Plaintiff then filed suit and now seeks injunctive relief.

THE GAMES

Each of the two video games is contained in a cabinet with a display screen and a control panel for the player. The course of the game is controlled by a computer program, which has been chemically implanted in printed circuit boards inside the cabinet. When no one is playing the game, the machine is in the so-called "attract mode," in which there appears on the display screen an explanation of the game and/or a short simulated

game sequence, which is intended to attract customers. Placing a coin in the machine causes it to go into "play mode," in which the computer program generates scenes of dangerous situations, to which the player responds by pressing various buttons on the control panel.

The principle of the two games is basically the same. The player commands a spaceship, represented by a small symbol that appears in the center of the screen. During the course of the game, symbols representing various sized rocks drift across the screen, and, at certain intervals, symbols representing enemy spaceships enter and move around the screen and attempt to shoot the player's spaceship. Four control buttons allow the player to rotate his ship clockwise or counterclockwise, to move the ship forward, and to fire a weapon. A variety of appropriate sounds accompany the firing of weapons and destruction of rocks and spaceships.

Many of the design features of the two games are similar or identical. In both games:

- (1) There are three sizes of rocks.
- (2) The rocks appear in waves, each wave being composed initially of larger rocks.
- (3) Larger rocks move more slowly than smaller ones.
- (4) When hit, a large rock splits into two medium rocks, a medium rock splits into two small ones, and a small rock disappears.
- (5) When a rock hits the player's spaceship, the ship is destroyed.
- (6) There are two sizes of enemy spaceships.
- (7) The larger enemy spaceship is an easier target than the smaller one.
- (8) The player's ship and enemy ships shoot projectiles.
- (9) When a spaceship's projectiles hit a rock or another ship, the latter is destroyed immediately.
- (10) The destruction of any rock or spaceship is accompanied by a symbol of an explosion.
- (11) When an enemy spaceship is on the screen, the player hears a beeping tone.
- (12) There is a two-tone beeping noise in the background throughout the game, and the tempo of this noise increases as the game progresses.
- (13) The player gets several spaceships for his quarter. The number of ships remaining is displayed with the player's score.
- (14) The score is displayed in the upper left corner for one player and the upper right and left corners for two players.
- (15) The control panels are painted in red, white, and blue.
- (16) Four control buttons from left to right rotate the player's spaceship counter-clockwise, rotate it clockwise, move it forward, and fire the weapon.
- (17) When a player presses the "thrust" button, his spaceship moves forward and when he releases the button the ship begins to slow down gradually (although it stops more quickly in "Meteors").

(18) The player gets an extra spaceship if he scores 10,000 points.

(19) Points are awarded on an increasing scale for shooting (a) large rock, (b) medium rock, (c) small rock, (d) large alien craft, (e) small alien craft.

(20) When all rocks are destroyed a new wave of large rocks appears.

(21) Each new wave of rocks has progressively more large rocks than the previous waves to increase the challenge of the game.

(22) A general overhead view of the battle field is presented.

There are also a number of differences between the games:

(1) "Meteors" is in color, while "Asteroids" is in black and white.

(2) The symbols for rocks and spaceships in "Meteors" are shaded to appear three-dimensional, unlike the flat, schematic figures in "Asteroids."

(3) The rocks in "Meteors" appear to tumble as they move across the screen.

(4) "Meteors" has a background that looks like distant stars.

(5) At the beginning of "Meteors," the player's spaceship is shown blasting off the earth, whereas "Asteroids" begins with the player's spaceship in outer space.

(6) The player's spaceship in "Meteors" rotates faster.

(7) The player's spaceship in "Meteors" fires faster and can fire continuously, unlike the player's spaceship in "Asteroids," which can fire only bursts of projectiles.

(8) The pace of the "Meteors" game is faster at all stages.

(9) In "Meteors," after the player's spaceship is destroyed, when the new spaceship appears on the screen, the game resumes at the same pace as immediately before the last ship was destroyed; in "Asteroids" the game resumes at a slower pace.

The necessary elements for copyright infringement have been stated succinctly in 3 Nimmer, *The Law of Copyright*, § 13.01:

Reduced to most fundamental terms, there are only two elements necessary to the plaintiff's case in an infringement action: ownership of the copyright by the plaintiff, and copying by the defendant.

OWNERSHIP OF THE COPYRIGHT

[1,2] As stated by Nimmer, *supra* § 13.01(A):

Plaintiff's ownership in turn breaks down into the following constituent parts: (1) Originality in the author, (2) copyrightability of the subject matter, (3) citizenship status of the author such as to permit a claim of copyright, (4) compliance with applicable statutory formalities, and (5) (if the plaintiff is not the author) a transfer of rights or other relationship between the author and the plaintiff so as to constitute the plaintiff the valid copyright claimant.

The copyright registration certificate provides *prima facie* evidence of the above elements of the claim of ownership:

In any judicial proceedings, the certificate of a registration made before or within five years after first publication of the work shall constitute prima facie evidence of the validity of the copyright and of the facts stated in the certificate. . . .

17 U.S.C. § 410(c). Plaintiff entered into evidence its certificate of copyright registration, and defendants challenge only the second and fourth elements of copyright ownership. Therefore, the Court finds for the plaintiff on the remaining elements and addresses only the two challenged elements.

[3] Defendants challenge the copyrightability of plaintiff's video game. However, the "Asteroids" game clearly fits the Act's definitions of copyrightable material. The Act includes among the types of works of authorship that may be copyrighted "motion pictures and other audiovisual works." 17 U.S.C. § 102(a)(6). The Act, 17 U.S.C. § 101, defines "audiovisual works" as:

works that consist of a series of related images which are intrinsically intended to be shown by the use of machines or devices such as projectors, viewers, or electronic equipment, together with accompanying sounds, if any, regardless of the nature of the material objects, such as films or tapes, in which the works are embodied.

"Motion pictures" are defined as:

audiovisual works consisting of a series of related images which, when shown in succession, impart an impression of motion, together with any accompanying sounds, if any.

Id.

Defendant contends that plaintiff has not properly copyrighted the "Asteroids" game, arguing that the original work of authorship is the computer program, as embodied in the printed circuit board.¹ Plaintiff filed a video-tape of what appeared on the display screen during one of an infinite number of possible game sequences with the copyright office, rather than the printed circuit board. Defendant argues that this registration affords no protection for the underlying computer program/printed circuit board.

[4,5] Defendants' analysis is faulty, because it fails to distinguish between the work and the medium in which it is fixed. In order to receive a copyright, a work must be both copyrightable (that is, it must fit one of the definitions of a copyrightable work) and fixed in a tangible medium of expression. 17 U.S.C. § 102(a). Plaintiff's "work," the thing that plaintiff has created and desires to protect, is the visual presentation of the

¹Defendant uses the term "read-only memory" (ROM), which is the electronic circuit that consists of the thousands of tiny "switches" that have been chemically imprinted on the printed circuit board.

"Asteroids" game. That work is copyrightable as an audiovisual work and as a motion picture. 17 U.S.C. § 101; *Stern Electronics, Inc. v. Kaufman, et al.*, 523 F.Supp. 635 (E.D.N.Y., 1981) (rejecting defendant's claims that the video game's presentation was not an original work and that only the computer program could be considered an original work); *Midway Mfg. Co. v. Dirkschneider, et al.*, 543 F.Supp. 466 (D.Neb., 1981) (rejecting a similar claim). Plaintiff's work also happens to be fixed in the medium of circuitry on a printed circuit board. This follows from the definitions in 17 U.S.C. § 102 of a tangible medium of expression as a medium "from which [the work] can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine." A video game's printed circuit board is clearly such a medium of expression, since the "work," the audiovisual presentation, can be communicated from the printed circuit board with the aid of the video game's display screen. See *Midway, supra*, at 13-14. Thus, plaintiff's work meets both the requirements of copyrightability and fixation and is entitled to copyright protection. The specific medium in which the work is fixed is irrelevant—as long as a copyrightable work is fixed in some tangible medium, the work is entitled to copyright protection. 17 U.S.C. § 101. The owner of a copyrightable work need not, and indeed, cannot copyright the medium in which the work is fixed.

[6] Defendants also argue that plaintiff is attempting to copyright an idea, rather than the expression of an idea. The Copyright Act adopted the longstanding common law doctrine that this is impermissible. 17 U.S.C. § 102(b). Apparently defendants are claiming that plaintiff is attempting to monopolize the use of the idea of a video game in which the player fights his way through asteroids and spaceships. Defendants cite the case of *Herbert Rosenthal v. Kalpakian*, 466 F.2d 738 (9th Cir. 1971), in which the court held that plaintiff could not copyright his jewelled pin in the shape of a bee because such a copyright would amount to a copyright of the *idea* of a jewelled bee pin. The court based this holding on the finding that the idea of a jewelled bee pin is capable of only one expression, and, therefore, when defendant used plaintiff's idea of a jewelled bee pin, as defendant was entitled to do, it was inevitable that defendant's pin would look like plaintiff's pin. The critical difference in this case is that the idea of a video game involving asteroids is a much more general idea than the rather specific concept of a jewelled pin in the shape of a bee, and the former is capable of many forms of expression. Thus, when plaintiff copyrighted his particular expression of the game, he did not prevent others from using the idea of a game with asteroids. He prevented only the copying of the arbitrary design features that makes plaintiff's expression of this idea unique. These design features consist of the symbols that appear on the display screen, the ways in which those symbols move around the screen, and the sounds emanating from the game cabinet. Defendants are

entitled to use the idea of a video game involving asteroids, so long as they adopt a different expression of the idea—*i.e.*, a version of such a game that uses symbols, movements, and sounds that are different from those used in plaintiff's game.

[7] Defendants' second challenge concerns plaintiff's compliance with the applicable statutory procedures for registering a copyright. The Copyright Act requires the registrant to deposit two "complete copies" of the work, 17 U.S.C. § 408. Plaintiff submitted a videotape of one game sequence, and defendants contend that this is not a complete copy of the "Asteroids" game. However, the Copyright Office Regulation, 37 C.F.R. 202.20(d), allow the Register of Copyrights to permit the deposit of only one copy or "alternative identifying material." Given the bulkiness and cost of the actual video game, a video tape of the audiovisual presentation in the game is a reasonable "alternative identifying material." See *Midway, supra*, Findings 15, 20 and 25; *Stern, supra*, at 8.

INFRINGEMENT BY DEFENDANTS

[8] Since direct evidence of copying is seldom available, plaintiff may prove copying by showing that defendants had access to plaintiff's work and that the two works are substantially similar. *Novelty Textile Mills, Inc. v. Joan Fabrics Corp.*, 558 F.2d 1090, 1092 (2d Cir. 1977). Access was shown indirectly by evidence that plaintiff's work had been widely disseminated. See *Detective Comics, Inc., v. Bruns, Publication, Inc.*, 28 F.Supp. 399 (S.D.N.Y.1939), *mod.*, 111 F.2d 432 (2d Cir. 1940).

Therefore, the crucial issue is whether defendants' game, "Meteors," is substantially similar to plaintiff's game, "Asteroids." Substantial similarity is determined by a general comparison of the two works:

'Substantial similarity' is to be determined by the 'ordinary observer' test. Judge Learned Hand in defining this test stated there is substantial similarity where 'the ordinary observer, unless he set out to detect the disparities, would be disposed to overlook them, and regard their aesthetic appeal as the same.' *Peter Pan Fabrics, Inc. v. Martin Weiner Corp.*, 274 F.2d 487, 489 (2d Cir. 1960). More recently this court formulated the test as 'whether an average lay observer would recognize the alleged copy as having been appropriated from the copyright work.' *Ideal Toy Corp. v. Fab-Lu Ltd.*, 360 F.2d 1021, 1022 (2d Cir. 1966). And, of course, by definition, '[t]he copying need not be of every detail so long as the copy is substantially similar to the copyrighted work.' *Comptone Co. v. Rayex Corp.*, 251 F.2d 487, 488 (2d Cir. 1958). . . .

Novelty Textile Mills, supra, at 1093. Another court has held that a work is substantially similar to a preceding work when it captures the "total concept and feel" of the first work. *Roth Greeting Cards v. United Card Co.*, 429 F.2d 1106, 1110 (9th Cir. 1970), *quoted in Sid and Marty Krofft Television v. McDonald's Corp.*, 562 F.2d 1157, 1167 (9th Cir. 1977).

[9, 10] However, in applying the "ordinary observer" test, a court must also apply the principles of the law of copyright. One of the most basic of

these is the concept that, while one's expression of an idea is copyrightable, the underlying idea one uses is not. *Mazer v. Stein*, 347 U.S. 201, 217, 74 S.Ct. 460, 470, 98 L.Ed. 630 (1954); 17 U.S.C. § 102(b). A corollary to this principle is that when an idea is such that *any* use of that idea *necessarily* involves certain forms of expression, one may not copyright those forms of expression, because to do so would be in effect to copyright the underlying idea. The classic case illustrating this concept is *Kalpakian, supra*. In that case, the court held that plaintiff could not copyright his version of a jewelled bee pin, because the idea of such a pin was capable of only one expression, and a copyright on his expression would amount to a copyright on the basic idea.

[11] This principle must also apply in less extreme cases in which a creator's expression of an idea includes some forms of expression that are essential to the idea (*i.e.*, forms of expression which cannot be varied without altering the idea) and some forms of expression that are not essential to the idea. In such a case, the latter forms of expression are copyrightable, but the former are not, because if the creator could copyright the essential forms of expression, then others would effectively be barred from using the underlying idea.

This doctrine has been recognized by courts in a variety of situations. In *Reyher v. Children's Television Workshop*, 533 F.2d 87, 91 (2d Cir. 1976) *cert. denied*, 429 U.S. 980, 97 S.Ct. 492, 50 L.Ed.2d 588, the court stated that:

Another helpful analytic concept is that of *scenes a faire*, sequences of events which necessarily follow from a common theme. "[S]imilarity of expression . . . which necessarily results from the fact that the common idea is only capable of expression in more or less stereotyped form will preclude a finding of actionable similarity." 1 *Nimmer* § 143.11 at 626.2; see Yankwich, *Originality in the Law of Intellectual Property*, 11 F.R.D. 457, 462 (1951). Copyrights, then, do not protect thematic concepts or scenes which necessarily must follow from certain similar plot situations.

The court in *Alexander v. Haley*, 460 F.Supp. 40, 45 (S.D.N.Y.1978), held that "incidents, characters or settings which are as a practical matter indispensable, or at least standard, in the treatment of a given topic" are not protected by the copyright laws. The court listed a number of types of incidents that are not copyrightable in a slave story:

attempted escapes, flights through the woods pursued by baying dogs, the sorrowful or happy singing of slaves. . . . scenes portraying sex between male slave owners and female slaves and the resentment of female slave owners . . . slave owners complaining about the high price of slaves. . . .

Id. at 45 and n.7.

In *Franklin Mint Corp. v. Nat. Wildlife Art Exchange*, 575 F.2d 62 (3d Cir. 1978), *cert. denied*, 439 U.S. 880, 99 S.Ct. 217, 58 L.Ed.2d 193, the court considered two paintings of a pair of cardinals. The court noted that:

There are indeed obvious similarities. Both versions depict two cardinals in profile, a male and a female perched one above the other on apple tree branches in blossom. But there are also readily apparent dissimilarities in the paintings in color, body attitude, position of the birds and linear effect. In one, the male cardinal is perched on a branch in the upper part of the picture and the female is below. In the other, the positions are reversed. In one, the attitude of the male is calm; in the other, he is agitated with his beak open. There is a large yellow butterfly in "Cardinals on Apple Blossom," and none in "The Cardinal." Other variances are found in the plumage of the birds, the foliage, and the general composition of the works.

The court also observed that the nature of the idea, namely a painting of cardinals, necessarily limits the forms of expression that can be utilized in articulating the idea:

Expert testimony described conventions in ornithological art which tend to limit novelty in depictions of the birds.

Given this, the court said that "[a] pattern of differences is sufficient to establish a diversity of expression rather than only an echo," and the court affirmed the lower court holding of no copyright infringement.

This Court has held that plaintiff is entitled to a copyright on "Asteroids," because the idea of a video game in which the player shoots his way through a barrage of space rocks is an idea that is sufficiently general so as to permit more than one form of expression. However, under the doctrine set forth above, the Court must be careful not to interpret plaintiff's copyright as granting plaintiff a monopoly over those forms of expression that are inextricably associated with the idea of such a video game. Therefore, it is not enough to observe that there are a great number of similarities in expression between the two games. It is necessary to determine whether the similar forms of expression are forms of expression that simply cannot be avoided in any version of the basic idea of a video game involving space rocks.²

²This determination requires a type of close analysis that the court in *Sid & Marty Krofft, supra*, 562 F.2d at 1164-65, rejected as inappropriate in the subjective, "ordinary observer" test for substantial similarity. However, even that court implicitly recognized the reality that the finder of fact must in effect make a detailed comparison of the two works in order to reach a general, subjective conclusion regarding substantial similarity. *Id.* at 1167 n.9. Moreover, the fact that the underlying idea here is a type of video game, rather than just an idea for a story or a game, raises the possibility that certain forms of expression are required by the medium itself. Given that possibility, a broad brush observation that the two games have many similar forms of expression is not a sufficient basis on which to conclude that the games are substantially similar.

[12] There are, as noted *supra*, a number of similarities in the design features of the two games. However, the Court finds that most of these similarities are inevitable, given the requirements of the idea of a game involving a spaceship combatting space rocks and given the technical demands of the medium of a video game. There are certain forms of expression that one must necessarily use in designing a video game in which a player fights his way through space rocks and enemy spaceships. The player must be able to rotate and move his craft. All the spaceships must be able to fire weapons which can destroy targets. The game must be easy at first and gradually get harder, so that bad players are not frustrated and good ones are challenged. Therefore, the rocks must move faster as the game progresses. In order for the game to look at all realistic, there must be more than one size of rock. Rocks cannot split into very many pieces, or else the screen would quickly become filled with rocks and the player would lose too quickly. All video games have characteristic sounds and symbols designed to increase the sensation of action. The player must be awarded points for destroying objects, based on the degree of difficulty involved.

All these requirements of a video game in which the player combats space rocks and spaceships combine to dictate certain forms of expression that must appear in any version of such game. In fact, these requirements account for most of the similarities between "Meteors" and "Asteroids." Similarities so accounted for do not constitute copyright infringement, because they are part of plaintiff's idea and are not protected by plaintiff's copyright.

In light of this conclusion that the similarities in the forms of expression are inevitable, given the idea and the medium, the large number of dissimilarities becomes particularly significant. Given the unavoidable similarities in expression, the Court finds that the ordinary player would regard the aesthetic appeal of these two games as quite different. The overall "feel" of the way the games play is different. In "Meteors" the symbols are more realistic, the game begins with the player's spaceship blasting off from earth, and the player's spaceship handles differently and fires differently. "Meteors" is faster-paced at all stages and is considerably more difficult than "Asteroids."

It seems clear that defendants based their game on plaintiff's copyrighted game; to put it bluntly, defendants took plaintiff's idea. However, the copyright laws do not prohibit this. Copyright protection is available only for expression of ideas, not for ideas themselves. Defendants used plaintiff's idea and those portions of plaintiff's expression that were inextricably linked to that idea. The remainder of defendants' expression is different from plaintiff's expression. Therefore, the Court finds that defendants' "Meteors" game is not substantially similar to and is not an infringing copy of plaintiff's "Asteroids" game.

Accordingly, for the reasons stated herein, it this the 27th day of November, 1981, by the United States District Court for the District of Maryland, ORDERED:

1. That plaintiff's motion for preliminary injunction BE, and the same IS, hereby DENIED; and

2. That judgment BE, and the same IS, hereby entered in favor of the defendants.

ATARI, INC., et al. v. NORTH AMERICAN PHILIPS CONSUMER ELECTRONICS CORP., et al.

No. 81 C 6434

(United States District Court, N. D. Illinois—Decided December 4, 1981)

217 USPQ 1265

[See also 672 F.2d 607, 214 USPQ 33, 46 C.O.Bull. 117 (7th Cir.-*Reversed*, Mar. 2, 1982); *North American Philips Consumer Electronics Corp. v. Atari, Inc.*, 459 U.S. 880, 103 S.Ct. 176, 74 L.Ed.2d 145 (U.S. Sup. Ct.—*Certiorari denied*, Oct. 4, 1982)]

Action by Atari, Inc., and Midway Mfg., Co., against North American Philips Consumer Electronics Corp., and Park Television, doing business as Park Magnavox Home Entertainment Center, for copyright infringement and unfair competition. On plaintiffs' motion for preliminary injunction. Motion denied.

COPYRIGHTS

1. Injunction—Preliminary injunction

In copyright case, as in all others, plaintiff seeking preliminary injunctive relief must demonstrate that there is substantial likelihood of success on merits at trial, that irreparable injury will be suffered unless injunction issues, that threatened injury to movant outweighs damage that injunction may cause opponent, and that injunction will not be adverse to public interest; whether preliminary injunction will issue is entrusted to discretion of court; factors that should guide exercise of this discretion are threat of irreparable harm to plaintiff, state of balance between this harm and injury granting injunction will inflict on other parties litigant, probability that plaintiff will succeed on merits, and public interest.

2. Injunction—Preliminary injunction

Allegation of irreparable injury need not be detailed, because such injury can normally be presumed when copyright is infringed.

3. Infringement—Tests of

"Copied," within copyright infringement cases, is shown if ordinary observation would recognize it as having been appropriated from or patterned after copyrighted work; "Copying" proscribed by copyright law means more than tracing original line by line; to some extent, it includes appropriation of artist's thought in creating his own form of expression.

4. Infringement—Tests of

Substantial similarity for copyright infringement purposes is determined by ordinary observer test.

UNFAIR COMPETITION

5. Fraud, Deception and palming off

Test of confusion of goods is whether similitude of labels would probably deceive purchaser exercising ordinary prudence, not whether it would deceive careless buyer who makes no examination.

Daniel W. Vittum, Jr., Robert G. Krupka, Martin L. LaGod, Kirkland & Ellis, Eric C. Cohen, A. Sidney Katz, and Fitch, Even, Tabin, Flannery & Welsh, all of Chicago, Ill., for plaintiffs.

Theodore W. Anderson, James T. Williams, Gregory B. Beggs, and Neuman, Williams, Anderson & Olson, all of Chicago, Ill., for defendants.

LEIGHTON, *District Judge*

I.

This suit, alleging infringement of a copyright, deceptive trade practices, and common law unfair competition, reflects a phenomenon of our times: the widespread and frenzied popularity of the audio-video game, a product related to the modern-day computer. Involved is the question whether the copyright to an arcade video game called "Pac-Man" is infringed by the sale and distribution of another video game, "K.C. Munchkin." This court has federal question jurisdiction pursuant to 28 U.S.C. §§1331(a)(2) and 1338(a) and has pendant jurisdiction over the state law claims under 28 U.S.C. §1338(b).

Atari, Inc., a Delaware corporation, and Midway Mfg. Co., an Illinois corporation, owners of exclusive rights to the "Pac-Man" copyright, have moved for a preliminary injunction barring defendants, North American Philips Consumer Electronics Corporation and Park Television, d/b/a Park Magnavox Home Entertainment Center, "their employees, servants, agents, and all persons in active concert with them, from advertising, distributing, displaying, performing, selling or offering for sale, the 'K.C. Munchkin' home video game, or in any other manner violating plaintiff's exclusive rights under the copyright in the 'Pac-Man' audio-visual work." Evidence has been heard consisting of testimony of witnesses and exhibits which have been offered and received. It has been agreed between the par-

ties that for the purpose of this proceeding, the validity of the copyright is not an issue; nor is it contested that during the relevant period defendants had access to the arcade video game, "Pac-Man." The issue to be resolved, however is whether plaintiffs have established a likelihood that on the merits they will succeed in proving that defendants have infringed the copyright to "Pac-man," and have engaged in deceptive trade practices and unfair competition. Resolution of this issue requires reference to the facts, including a detailed description of the two games.

II.

A. Background.

Plaintiff Atari, Inc., a leading developer and manufacturer of home video games and personal computers, is a Delaware corporation with its principal place of business in Sunnyvale, California. It markets and sells its products to dealers and distributors on whom it depends for sales to consumers. Plaintiff Midway Mfg. Co., a leading developer and manufacturer of coin-operated video games, is an Illinois corporation, having its principal place of business in Franklin Park, Illinois. Its coin-operated games are placed for use in a wide variety of public places, such as arcades, bars, hotels, shopping centers, retail stores, and restaurants.

Defendant North American Philips Consumer Electronics Corporation, is a citizen of Tennessee, organized under the laws of that state, with its principal place of business in Knoxville, Tennessee. It manufactures, advertises, distributes and sells home video games. Defendant Park Television, d/b/a Park Magnavox Home Entertainment Center, is an Illinois partnership having its principal place of business in Evergreen Park, Illinois. It is a retailer of audio-visual equipment, including home video games marketed by North American such as the "K.C. Munchkin" game at issue in this proceeding.

Atari and Midway own exclusive rights under a copyright registered with the Register of Copyrights effective November 13, 1980 for the "Pac-Man Audiovisual Work," Reg. No. PA83-768. This game was created by a Japanese company in 1980 which by assignment and licenses vested in Atari and Midway their exclusive ownership of the copyright to "Pac-Man." These rights have great monetary value.

For example, since October 31, 1980, Midway has sold in excess of 75,000 "Pac-Man" video games throughout the United States for a wholesale value in excess of \$150 million. Each "Pac-Man" game sold by Midway contains a notice of its claim of copyright. The game has achieved widespread popularity among members of the American public. It has been the subject of numerous unsolicited news reports and has been

featured on a number of nationwide television programs. Opinion polls rank it second among upright coin-operated video games in earnings. Widely circulated magazines of the video game industry have published polls relied upon by those in the video game industry. As a result of the game's popularity, Atari has engaged in transactions that represent large investment in its future distribution for home video and personal computer use. It has paid substantial sums of money and has obligated itself to pay royalties for its exclusive ownership in "Pac-Man." In all, Atari has expended in excess of \$1.5 million in licensing, developing, and advertising its "Pac-Man" home video game.

B. The "Pac-Man" game

"Pac-Man," as it is now on the market, is an arcade maze-chase game. It is housed in a six feet tall and approximately twenty-four inch wide cabinet that has a viewing plate facing diagonally upwards toward a player standing in front of it. Through the viewing plate, a player sees a television type display, an oblong shaped maze with varying size and shape of geometric figures, and a number of characters, one a yellow dot with a V-shaped aperture at one side which opens and closes like a mouth. The maze appears in double blue lines; and throughout are several hundred evenly spaced pink dots which the central, yellow character gobbles as he moves about.

There are four other moving figures or characters identical except that one is red, one blue, one turquoise, and one orange. All of these, sometimes called goblins, have eyes and appendages which simulate feet. They do not consume the dots, but move in a prearranged pattern about the maze which is unchanging. In the center is a blue box to which the goblins return each time the player begins a game. Four of the pink dots, located at approximately the four corners of the maze, are enlarged; and when the central figure, the gobbler, consumes those dots, the goblins change color to blue. When the goblins are in their original variety of colors, the central character is vulnerable, so that when the central character and one of the goblins collide, the central character is deflated (with accompanying audible sounds). At this point that particular play, but not the game, is finished.

When the goblins turn to blue for a few seconds, they are vulnerable to the gobbler and can be consumed by it, thus scoring points for the player. The player also gains points by avoiding the goblins and consuming the normal sized pink dots in the maze. The player may additionally gain points by consuming various fruit symbols placed near the center of the maze. The game is controlled by a joy stick on the front of the arcade structure so that a player can guide the gobbler up or down, and left or right, through the fixed maze. Throughout the play of "Pac-Man," a

number of musical notes are sounded for the audio portion of the game, and also a number of whistles and siren-like sounds can be heard in the background.

C. The "K.C. Munchkin" Game

"K.C. Munchkin" has physical features which meet the technical requirements for presenting a game in an arcade type of viewer. These technical differences result in a different visual display. "K.C. Munchkin" as a home video game is also a maze-chase; but the maze is rectangular and appears on the home video screen as broader than it is tall and there are more horizontal passageways in which the characters can move than in "Pac-Man." In "K.C. Munchkin," there is a practically infinite number of mazes, all of which give patterns as a matter of mechanics, as a matter of appearance, and as a matter of play tactics and technique. There is a variability of mazes in "K.C. Munchkin."

The characters in "K.C. Munchkin" are different from those in "Pac-Man." In "K.C. Munchkin," the central character, the munchkin, appears as a blue figure with horns, normally with a smile, but when he is attacked by a monster, his smile turns to a frown; and then he evaporates upwardly from the screen. The character, or the appearance of the central figure, is that he initially faces the viewer rather than showing a profile. As he moves along the maze he shows a profile, and when he stops, he turns around to face the viewer with another smile. Thus, the central character is made to have a personality which the central character in "Pac-Man" does not have. "K.C. Munchkin" has munchers which are much "spookier" than the goblins in "Pac-Man." Their legs are longer and move more dramatically; their eyes are vacant, all of these features being absent in "Pac-Man." The munchers are red, green, and yellow.

An apparent difference, from the point of view of play of the two games, is the changing orientation of the center of the maze in "K.C. Munchkin." In "Pac-Man," the center portion of the maze is elongated to accommodate the goblins and is stationary, never changing. The goblins simply move upward out of a fixed center "box" into the maze, while in "K.C. Munchkin," the first mode of play shows the center of the maze as a box changing the open side by ninety degrees every two or three seconds.

There are only twelve dots in "K.C. Munchkin" as opposed to over two hundred dots in "Pac-Man." In "K.C. Munchkin," the dots are randomly spaced, whereas in "Pac-Man," the dots are uniformly spaced. Furthermore, in "K.C. Munchkin," the dots are square and are always moving, and when the game is played, it becomes progressively more difficult for the central character to catch the remaining dots after he consumes the first one or two. The remaining dots accelerate so that toward the end the dots reach the same speed as the munchkin. The last dot is the most dif-

ficult to catch. It cannot be caught by overtaking it; it must be munched by strategy.

In playing the "K.C. Munchkin" game, it is necessary for the player to "out-think" the movements of the dots which is not the way that "Pac-Man" is played. In "K.C. Munchkin," the player must observe the whole grid and anticipate the movements of characters and dots; while in "Pac-Man," the characters follow a set pattern, one which a skilled player can determine fairly readily. The dots do not move at all.

And in "K.C. Munchkin," in several of the modes of play, the maze is a periodically changing pattern or is a disappearing maze, that is, it appears on the screen when the player stops moving the munchkin and disappears when the munchkin is in motion, so that the person who is playing has to anticipate where the walls of the maze might be. These disappearing maze modes are not present in "Pac-Man." "K.C. Munchkin" makes it possible for a player to program the maze shown on the screen by operation of the console. Stated another way, the player might draw on the screen whatever walls he wishes to create in the maze, thus creating a continuously changing maze from game to game. This is a significant difference in appearance from the fixed maze of "Pac-Man."

Finally, "K.C. Munchkin" has a set of sounds accompanying it which are distinctive to the whole line of Odyssey home video games. These sounds are not at all like the sounds which are played in the arcade form of "Pac-Man." The tone sequences are different, the notes are different, and create an entirely different impression on the listener. The reason for the sounds in "Pac-Man" is its installation in arcades where there are many competing noises from neighboring games and players.

"K.C. Munchkin," as a home audio-visual video game, was created for defendant North American by Ed Averett, independent contractor, who has been its consultant in creating home video games for the last four years. His first interest in developing the game was met by a desire of North American executives to obtain a license to use "Pac-Man." Overtures were made to Midway Mfg. Co. without success. Mr. Averett, on the other hand, had developed approximately 21 such games, one of which was called "Take the Money and Run." That game is a maze-chase game whose maze configuration is rectangular and almost identical with that in "K.C. Munchkin." In the development of "K.C. Munchkin," Mr. Averett's wife, a highly skilled computer programmer, offered several suggestions which were adopted in the creation of "K.C. Munchkin," the most notable of which was the moving dot principle. Prior to embarking on the development of his game, Mr. Averett, in the company of a North American executive, saw a "Pac-Man" in an Atlanta, Georgia airport arcade. On at least one occasion before completing his design, he played a "Pac-Man." He was not impressed with the game because, in his judgment, it did not have enough violence for consumer appeal in an arcade setting. Mr.

Averett did not recognize the appeal a lesser amount of violence in the game might have upon women, a market which was growing at the time, but substantially undeveloped. He recognized the concept in "Pac-Man" as a maze-chase game in which the central character was either pursued or the pursuer, and that the characters were gobbled up when captured.

Mr. Averett showed an initial version of "K.C. Munchkin," although not known by that name at the time, to Mr. Staup of North American in July 1980. The company considered it, including the principle of changing mazes not only from mode to mode, but also a change during the course of each game, and made them programmable. Mr. Averett and his wife were both quite enthusiastic about the use of movable dots to be caught, both from the standpoint of building challenges into a game and also from the attractiveness of the game to a home video game player. The movement of the dots makes a maze-change game much more challenging to play and less likely to lose interest for players over a period of time. The movements of the munchers was another item on which he wanted to exercise creativity; and in creating the "K.C. Munchkin" game, he wanted to give these the appearance of thinking so that they would be challenging to avoid. Accordingly, Mr. Averett and his wife built into "K.C. Munchkin" the need for a player to out-maneuver or trap the dots as they move about the mazes, and "out-think" both the dots and the munchers as they move in apparently purposeful fashion. For Mr. Averett, it was necessary to trap the dots through skill rather than simply chase them around. These features in the initial version of "K.C. Munchkin" have been carried over into the final version.

The executives at North American were aware of possible difficulties with the plaintiffs in this action, even though they believed their "K.C. Munchkin" game was different from "Pac-Man." They urged Mr. Averett to create more differences; and consequently, the game's central character was given its ultimate appearance by changing the shape, adding antennas, and changing the color from yellow to blue. The colors of the munchers were changed in order to get away from even a cosmetic similarity to the colors in "Pac-Man". The revised version of "K.C. Munchkin" was approved by the defendant North American in August 1980 and production was begun.

D. The post-production events

In the advertising, sale and distribution of its game, North American took steps which its executives believed would avoid any possible conflict or confusion between "K.C. Munchkin" and "Pac-Man." Internal instructions were issued within the company to avoid use of all trade names, trademarks, or trade definitions of others in connection with the game promotion. Specifically, instructions given were for the purpose of

avoiding any reference to the "Pac-Man" game. On October 27 and November 27, 1981, memoranda were addressed to its sales force in which North American stressed that it did not want "others to misapply our game names and trademarks to their games. Likewise, we should not use other people's trademarks or game names to refer to our own games [sic]." The advertisement used referred to the "K.C. Munchkin" video game cartridge, its packaging for that cartridge, and the instruction manual; it did not include any material which could reasonably result in confusion with "Pac-Man."

One of North American's distributors in the greater metropolitan Chicago area is "Minnesota Fats, the Video King." This company is an independent retailer who purchases home video games from North American, but is not controlled by it. It does not now receive any advertising allowance from North American for games, and has not done so for some time in the past. On November 13, 1981, in a Chicago-Sun Times advertisement, Minnesota Fats included a description of "K.C. Munchkin" saying that it was "a Pac-Man type game." The insertion of this statement was not with permission of North American or any of its executives.

Some of North American's dealers in the Chicago area are on a cooperative advertising basis, but not Minnesota Fats. Co-op advertising dealers submit ads to North American for prior approval; and all approvals of cooperative advertising come to the attention of North American's district general manager, Mr. Ronald E. Geise. He administers and enforces North American's policy of avoiding use of any other trademark, trade name, or other trade designation. Ordinarily, the November 13, 1981 advertisement by Minnesota Fats would have come to Mr. Geise's attention, but in fact did not. After the advertisement appeared in the Chicago-Sun Times, Mr. Geise learned of this fact. A North American representative was instructed to call Minnesota Fats for the purpose of attempting to get that company to delete any reference of "Pac-Man" game in any future advertisement.

On the same day that the Minnesota Fats advertisement appeared in Chicago newspapers, Linda Pierce, a legal secretary employed by the law firm representing Atari, was instructed to locate and purchase a "K.C. Munchkin" home video game. After calling several Chicago Loop department stores, Ms. Pierce contacted Wieboldt's at One North State Street in Chicago and spoke to a Mr. Sarno. She told him that she wanted to purchase a "K.C. Munchkin" home video game but he mistakenly believed that the game she wanted could hook up to a television set. Mr. Sarno explained to Ms. Pierce he thought she was confused and told her that the "K.C. Munchkin" home video game was a cassette that could be played on an Odyssey II home video system. He then explained to her that the "K.C.

Munchkin' game was just like 'Pac-Man.' " He told her they did not have the game, but expected to have some in the near future.

Two days later, Thomas P. Gallo, another investigator for Atari's lawyers, called one of Minnesota Fats' locations in Oak Lawn, Illinois in order to investigate North American's method of selling its "K.C. Munchkin" game at retail. Mr. Gallo knew that Minnesota Fats had advertised "K.C. Munchkin" as a " 'Pac-Man'-type game." When he entered the store, he approached a female sales clerk asking to purchase a "K.C. Munchkin." There were only three such games in stock. He purchased one; and in a conversation, the salesgirl told him that the "K.C. Munchkin" was "just like 'Pac-Man.' " When Gallo asked her if the store had a "Pac-Man," she said it didn't but that they would have it in March; and the cost would be "probably higher, it's hard to say." In the same investigation, Gallo called a Magnavox Home Entertainment Center in Lincoln Mall, Matteson, Illinois. The distributor had sold out its allotment of "K.C. Munchkin." Mr. Gallo was told that the distributorship received an allotment of a limited number of test units of "K.C. Munchkin." Gallo was unsuccessful in locating any additional "K.C. Munchkin" units since all the distributors he contacted had either sold out the game or did not initially receive any.

III.

[1] From these facts, the court concludes that plaintiffs have not shown a probability that when this case is heard on its merits they will prove that defendants, in manufacturing and distributing "K.C. Munchkin," have infringed the copyright to "Pac-Man." In a copyright case, as in all others, a plaintiff seeking preliminary injunctive relief must demonstrate that there is a substantial likelihood of success on the merits at trial, that irreparable injury will be suffered unless the injunction issues, that the threatened injury to the movant outweighs the damage which the injunction may cause the opponent, and that the injunction will not be adverse to the public interest. *Dallas Cowboys Cheerleaders vs. Scoreboard Posters*, 600 F.2d 1184, 1187, 203 USPQ 321, 322 (5th Cir. 1979); *Metro-Goldwyn-Mayer vs. Showcase Atlanta Co-op. Prod.*, 479 F.Supp. 351, 355, 203 USPQ 822, 825 (N.D. Ga. 1979). Whether a preliminary injunction will issue is entrusted to the discretion of this court. The factors which should guide exercise of this discretion are:

(1) the threat of irreparable harm to the plaintiff; (2) the state of the balance between this harm and the injury that granting the injunction will inflict on other parties litigant; (3) the probability that plaintiff will succeed on the merits; and (4) the public interest.

Dataphase Systems, Inc. vs. C.L. Systems, Inc., 640 F.2d 109, 113 (8th Cir. 1981). No one of these is determinative.

[2] In this proceeding, plaintiffs' ownership of a valid copyright is conceded; therefore, allegations of irreparable injury need not be detailed, because such injury can normally be presumed when a copyright is infringed. *Wainright Securities, Inc. v. Wall Street Transcript Corp.*, 558 F.2d 91, 94, 194 USPQ 401, 402 (2d Cir. 1977), cert. denied, 434 U.S. 1014, 196 USPQ 864 (1978) 98. 730. But, in order to prevail on their claim of the copyright infringement, plaintiffs must prove that defendants performed and distributed games copied from the audio-visual work, "Pac-Man." *Scott v. W.K.J.G., Inc.*, 376 F.2d 467, 153 USPQ 493 (7th Cir. 1967), cert. denied, 389 U.S. 832, 155 USPQ 768 (1967); cf. *Bell v. Combined Registry Company*, 397 F.Supp. 1241, 188 USPQ 707 (N.D. Ill. 1975), 429 U.S. 101, 192 USPQ 121; see 3 M. Nimmer, Copyright §§13.01 and 13.02[A] (1978). In this court's judgement, plaintiffs, on a trial of the merits, will not be able to make this proof.

[3] "Copied," within copyright infringement cases, is shown "if ordinary observation would recognize it as having been appropriated from or patterned after the copyrighted work." *Peter Pan Fabrics v. Acadia Co.*, 173 F.Supp. 292, 301, 121 USPQ 81, 274 F.2d 487 (1960). "Copying" proscribed by copyright law means more than tracing original, line by line; to some extent it includes appropriation of artist's thought in creating his own form of expression. *Franklin Mint Corp. v. National Wild Life Art Exchange, Inc.*, 575 F.2d 62, 65, 197 USPQ 721, 723 (3d Cir. 1978), cert. denied; see *C.M. Paula Co. v. Logan*, 355 F.Supp. 189, 191, 177 USPQ 559, (N.D. Tex. 1973).

[4] Since plaintiffs cannot prove copying, they advance the theory that "K.C. Munchkin" is substantially similar to "Pac-Man." However, substantial similarity for copyright infringement purposes is determined by the ordinary observer test. *Novelty Textile Mills, Inc. v. Joan Fabrics Corp.*, 588 F.2d 1090, 1093, 195 USPQ 1, 3 (2d Cir. 1977); cf., *Walter v. University Books, Inc.*, 602 F.2d 859 (9th Cir. 1979). But evidence in this record shows that "K.C. Munchkin" is not substantially similar to "Pac-Man." In fact, it has been established in this proceeding that defendants created their game from a source they had utilized before "Pac-Man" came into existence; the maze defendants utilized is different, and the way their game is played is different from plaintiffs' "Pac-Man."

[5] As to plaintiffs' claim of deceptive trade practices and common law unfair competition by confusion of goods, no showing has been made of probable success on the merits. The test of confusion of goods is whether similitude of labels would probably deceive a purchaser exercising ordinary prudence, not whether it would deceive a careless buyer who makes no examination. *Avrick v. Rockmont Envelope Co.*, 64 F.Supp. 765, 766, 67 USPQ 229, (D.C. Colo. 1945) rev'd on other grounds, 155 F.2d 568, 69 USPQ 431. The evidence does not show a similitude of labels by which plaintiffs sell "Pac-Man" and those under which defendants distribute and

sell "K.C. Munchkin." Neither the testimony of Mr. Gallo, nor the affidavit of Ms. Pierce shows a confusion by members of the public of plaintiffs' video game with that of defendants'. The advertisement by Minnesota Fats referring to "K.C. Munchkin" as "a Pac-Man type game" did not confuse one game with the other. This was a description by which the two were separately identified.

IV.

Therefore, plaintiffs' motion for preliminary injunction is denied. They are not entitled to preliminary injunctive relief on claims of copyright infringement, deceptive practices, and unfair competition where their ultimate ability to prevail is questionable. *Eagle-Friedman-Roedelheim Co. v. Allison Mfg. Co.*, 204 F.Supp. 679 (D.C. Pa. 1962); *Dallas Cowboys Cheerleaders v. Scoreboard Posters*, 600 F.2d 1184, 1187, 203 USPQ 321, (5th Cir. 1979); *O'Neill Developments, Inc. v. Galen Kilburn, Inc.*, Slip Op. (N.D. Ga. October 22, 1981).

SO ORDERED

ATARI, INC. v. WILLIAMS

No. CV-F-81-410

(United States District Court, E. D. California—Decided December 28, 1981)

217 USPQ 746

Action by Atari, Inc., against Ken Williams, doing business as On-Line Systems, for copyright infringement. Judgement for defendant.

COPYRIGHTS

1. Matter copyrightable—In general

Copyright laws do not protect particular video game itself, and laws do not protect strategy of player symbol being guided through maze appearing to gobble up dots in its path while being chased through maze by several opponents; unprotectable idea includes rules, strategy, and progress of play of video game.

2. Infringement—Tests of

There is no similarity between expression of video games whose symbols and graphics are such that ordinary observer would not notice similarity.

TRADEMARKS**3. Marks and names subject to ownership—Secondary meaning**

Video game manufacturer who has not entered marketplace with its video game has not established secondary meaning to establish likelihood of confusion.

Paul J. Laveroni, David P. Hodges, and Cooley, Godward, Castro, Huddleson & Tatum, all of San Francisco, Calif., for plaintiff.

Victor Sepulveda and Virgil Gerard, both of Fresno, Calif., for defendant.

CROCKER, *District Judge.*

Findings of Fact

1. Ken Williams, doing business as On-Line Systems, has a place of business in Coarsegold, California, and manufactures, distributes and sells computer software for audiovisual computer games.

2. Atari, Inc. has a place of business in Sunnyvale, California, and manufactures, distributes and sells computers and those types of computers which use the computer software for audiovisual computer games manufactured by On-Line Systems.

3. Defendant, without admitting infringement, withdrew an opposition to an injunction on its game referred to as "Gobbler" because Defendant indicated he would not market "Gobbler" in favor of its "Jawbreaker" game.

4. Atari, Inc., by sub-license with Namco-America, a corporation, acquired rights under a copyright for an audiovisual game entitled "Pac-Man."

5. The claimant set forth in the copyright registration is Namco Limited, a Japanese company. The registration of the copyright of "Pac-Man" then lists as the assignor of copyright registration the Midway Manufacturing Corporation, an Illinois corporation.

6. Atari Inc. does not manufacture, distribute, produce or sell computer software for the audiovisual game entitled "Pac-Man."

7. Atari Inc. at this time is trying to perfect a computer software program for the audiovisual game called "Pac-Man" and set a target date for reaching the marketplace with its "Pac-Man" game in about the second quarter of 1982.

8. John Harris is the author of the computer program for the audiovisual game of "Jawbreaker."

9. John Harris has granted an exclusive license to Ken Williams, doing business as On-Line Systems, to publish the audiovisual game of "Jawbreaker."

10. Atari Inc. has not produced, nor do they have in their possession, a computer program for an audiovisual game of "Pac-Man."

11. John Harris independently developed and wrote his program for the audiovisual game of "Jawbreaker" without copying any copyrighted game of Atari Inc.

12. John Harris' game of "Jawbreaker" is not a copy of the Atari Inc. game "Pac-Man," although he got the idea from viewing "Pac-Man."

[Finding of Fact 13 deleted by the court.]

14. The Court viewed the audiovisual game introduced by Plaintiff of the "Jawbreaker" game and one of the "Pac-Man" game.

15. The idea of both "Jawbreaker" and "Pac-Man" is basically a maze with a number of small objects (dots or circles) aligned within a maze. An object, appearing to be a mouth, referred to herein as an eater, is guided through the maze by a player and appears to eat the small objects. Within the maze, a plurality of chasers chase the eater through the maze. If the chaser catches the eater before he can eat all the small objects, the player's score is reduced. However, if the eater can devour all of the small objects in the maze before the chaser catches him, then the player's score is increased. If, at one point, the chaser catches the player, a replay begins. In the maze, at certain spots, a larger (power) object appears in the maze. If this larger object is eaten by the eater, it can then turn and chase the chasers for a specified time, scoring points as they are devoured.

16. The non-similarities between that which is expressed in "Pac-Man" and "Jawbreaker" are as follows:

a. In Plaintiff's game of "Pac-Man" the chasers are in the shape of ghosts which have small legs extending downward and they seem to run along in the maze and travel in the maze in a set pattern in the maze.

In Defendant's game of "Jawbreaker", the chasers are in the form of happy faces which seem to roll along in the maze and travel in a random pattern in the maze while keying in on the object it is chasing.

b. In Plaintiff's game of "Pac-Man", the object which is chased by the chaser is a round-shaped object which has a pie-shaped opening which opens and shuts when it devours dots aligned in the maze.

In Defendant's game of "Jawbreaker", the object which is chased by the chaser is a set of teeth, simulating false teeth, which chomp up and down on small circles aligned in the maze.

c. The colors of the chasers and the eaters used in "Pac-Man" are different than those used in the "Jawbreaker" game.

d. The music played is different in both games and "Pac-Man" has an attract mode which plays prior to each game, and "Jawbreaker" has no attract mode.

e. In Plaintiff's game of "Pac-Man", the eyes of the ghosts look in the direction in which they are travelling.

In Defendant's game of "Jawbreaker", the smiling faces appear to be rolling and will go in any direction, notwithstanding the direction they are facing.

f. In "Pac-Man", the items used to mark scores are cherries, oranges, strawberries, and grapes, while in "Jawbreaker" the items used to score are candycanes, sailboats, and gumdrops.

g. In Plaintiff's game of "Pac-Man", the energizer dots in the maze glow at a constant color, while in the Defendant's game of "Jawbreaker", the energizer dots in the maze are a plurality of rotating different colored smaller dots.

h. The maze in each game is not the same.

i. In Plaintiff's game of "Pac-Man", when the ghosts catch the eater, it appears to melt.

In the Defendant's game of "Jawbreaker", when the smiling faces appear to catch the false teeth, the teeth fall out to the bottom of the maze.

17. Defendant's game of "Jawbreaker" includes many features not found in the Plaintiff's game of "Pac-Man." For example, if the player manipulates his eater in such a method that it devours all the dots before it is caught by the chaser, then a toothbrush appears on the screen and brushes the teeth of the eater. Each of the chasers rotate in a different direction. All four chasers have different faces.

18. No documents were introduced into evidence to show a chain of title or rights from Midway Manufacturing Co., the assignor of Namco Limited, to Namco-America.

19. Defendant has been in the marketplace with its "Jawbreaker" game for a longer period of time than Atari Inc. has been in the marketplace with its "Pac-Man" game.

Conclusions of Law

1. Plaintiff Atari Inc. will suffer no irreparable harm by the sale and marketing of the "Jawbreaker" games by Defendant.

[1] 2. There is nothing protectable under the copyright laws as to the "Pac-Man" game itself, and the laws do not protect the strategy of a player symbol being guided through a maze appearing to gobble up dots in its path while being chased through the maze by several opponents. Further, the unprotectable idea includes the rules, strategy and progress of play of the "Pac-Man" game.

[2] 3. There is no similarity between the expression of the games of Plaintiff and Defendant because the symbols and graphics of the game are of such that the ordinary observer would not notice the similarity.

[Conclusion of Law 4 deleted by the court.]

[3] 5. Atari Inc. has not established a secondary meaning to establish a likelihood of confusion because Plaintiff has not entered the marketplace with its "Pac-Man" game.

[Conclusion of Law 6 deleted by the court]

7. There are no similar features between the non-functional features of "Jawbreaker" and "Pac-Man."

8. The balancing of hardships appears to favor the Defendant because Defendant is presently marketing its "Jawbreaker" game, while Plaintiff is not marketing its "Pac-Man" game.

9. There is little likelihood that the Plaintiff would succeed on the merits at time of trial.

AURORA ENTERPRISES, INC., a California corporation, and Xanadu Productions, Inc., a California corporation, Plaintiffs, v. **NATIONAL BROADCASTING COMPANY, INC.**, a corporation, NBC International, Ltd., a corporation, National Telefilm Associates, Inc. a corporation, NTA Delaware, Inc., a corporation, NTA Films, Inc., a corporation, NTA (Canada), Ltd., a corporation, Tele-Communications, Inc., a corporation, TCI Programs, Inc., a corporation, and George C. Hatch, an individual, Defendants

No. 81-445 AWT

(United States District Court, C. D. California—October 20, 1981)

524 F.Supp. 655

[See also 688 F.2d 689, 46 C.O.Bull. 136 (9th Cir. *Reversed and remanded*, Sept. 23, 1982)]

Producers of television shows brought antitrust action against television network, which had originally purchased broadcast rights to shows, corporation and its subsidiaries, which purchased syndication rights to programs from network, corporation which controlled syndicator, and director and shareholder of controlling corporation. All defendants, except director and shareholder, moved to dismiss on various grounds. The District Court, Tashima, J., held that: (1) television producers lacked standing to bring action under section of Antitrust Act governing trust in restraint of trade; (2) claim that as condition to purchasing network exhibition rights to television program, network insisted on also purchasing syndication rights to that program was barred by statute of limitations; (3) producers would be allowed to amend complaint that alleged that network agreed to syndicate all of its programs to syndicator, and that syndicator in turn agreed to syndicate those programs in such a way as to minimize competition with programming on network; (4) complaint under section of Sherman Act governing monopolizing trade failed to state claim on which relief can be granted; and (5) state law claims were more properly left for determination of state courts.

Order accordingly.

1. Monopolies

"Block-booking" is per se violation of section of Sherman Act prohibiting trust in restraint of trade, if seller has economic power over tying product and if not insubstantial amount of

interstate commerce is affected by tying arrangement. Sherman Anti-Trust Act, § 1, 15 U.S.C.A. § 1.

2. Commerce

Monopolies

For purposes of section of Sherman Act prohibiting trust in restraint of trade, economic power is presumed when tying product is patented or copyrighted and, despite complaint's failure to identify specific instances of block booking, complaint adequately alleges substantial effect on commerce. Sherman Anti-Trust Act, § 1, 15 U.S.C.A. § 1.

3. Monopolies

Where producers of television shows claimed injury which did not meet requirement that injury be of type antitrust laws were intended to prevent, and did not reflect anticompetitive effect either of violation of antitrust laws or of anticompetitive acts made possible by violation of antitrust laws, producers, as owners of profit rights in allegedly tying programs, lacked standing to assert antitrust claims for block booking. Sherman Anti-Trust Act, § 1, 15, U.S.C.A. § 1.

4. Federal Civil Procedure

Bar of statute of limitations, if clearly evidenced on face of complaint, may properly be raised on motion to dismiss.

5. Limitation of Actions

Statute of limitations for antitrust claims is tolled during pendency of civil or criminal antitrust case instituted by United States, and for one year thereafter, as long as respective causes of action are at least substantially similar. Sherman Anti-Trust Act, § 1, 15 U.S.C.A. § 1.

6. Monopolies

Even if it was assumed that allegations of antitrust action brought by producers of television shows against broadcasting company and company which purchased syndication rights to programs produced by producers were similar to allegations in early government case against broadcasting company, statute of limitations would have run where government's case against broadcasting company was concluded more than one year before filing of instant action. Sherman Anti-Trust Act, § 1, 15 U.S.C.A. § 1.

7. Limitation of Actions

Where government filed separate actions against each network, and did not allege any conspiracy between networks, rule that for purposes of tolling statute of limitations in antitrust action, proceeding remains pending until judgment has been rendered against all coconspirators, including not only defendants in immediate proceeding but also all defendants in any other related government actions arising out of same conspiracy was not applicable. Sherman, Anti-Trust Act, § 1, 15 U.S.C.A. § 1.

8. Fraud

Properly pleaded fraudulent concealment claim must allege affirmative conduct which would, under circumstances of case, lead reasonable person to believe that he did not have claim for relief.

9. Fraud

Where alleged coercion must have been evident to producer of television program, when contract for exhibition of program was signed, program producer's allegation that network fraudulently concealed facts by inaccurately reporting revenues earned through syndication

of program failed to allege affirmative conduct sufficient to establish fraudulent concealment.

10. Limitation of Actions

Even assuming as true that 1966 contract was still in force, and that network continued to collect larger share of profits than it would have received had it not allegedly coerced producers of programs into selling syndication rights along with network exhibition rights to programs, where contract in question did not violate antitrust laws, but what was alleged to have violated antitrust laws was network's exercise of coercion at time contract was signed, injury incurred by producers, if any, was permanent at time of sale and antitrust action based on contract was barred by statute of limitations. Clayton Act, § 4B as amended 15 U.S.C.A. § 15b.

11. Limitation of Actions

Where coercion of network in forcing producers of television program to sell syndication rights to program along with network exhibition rights occurred at time contract was entered into, and only extent of damages remained uncertain, and producers failed to offer valid reason for tolling of statute of limitations, claim was barred. Clayton Act, § 4B as amended 15 U.S.C.A. § 15b.

12 Monopolies

Antitrust plaintiff is not required to prove damages with exactitude.

13. Federal Civil Procedure

Where television program producers claim, which alleged that television network agreed to syndicate all, or almost all, of network's programs to syndicator, and syndicator, in turn, agreed to syndicate those programs, including those produced by television producer, in such a way as to minimize competition with programming on network, did not, as framed, state claim upon which relief could be granted, television program producers would be given opportunity to amend claim so as to set forth with specificity nature and objective of alleged conspiracy, its members and how unreasonable restraint of trade alleged was to be accomplished.

14. Monopolies

To adequately allege an attempt to monopolize claim under section of Sherman Act governing monopolizing of trade three elements are indispensable: specific intent to control prices or destroy competition in some part of commerce; predatory or anticompetitive conduct directed to the accomplishment of that unlawful purpose; and dangerous probability of success. Sherman Anti-Trust Act, § 2, 15 U.S.C.A. § 2.

15 Monopolies

Where television program producer's antitrust claim under section of Sherman Act governing monopolizing of trade alleged no independent facts, but relied upon those asserted in claims under section of Act governing trusts in restraint of trade, and those claims were required to be dismissed for lack of standing, and program producers failed to adequately allege predatory conduct on part of network or to allege dangerous probability of success of monopolizing trade, claim failed to state claim on which relief could be granted. Sherman Anti-Trust Act, §§ 1, 2, 15 U.S.C.A. §§ 1, 2; Clayton Act, § 4, as amended 15 U.S.C.A. § 4.

16. Federal Courts

Where issues raised and proof required by television program producer's state law claims substantially outweighed and diverged from issues presented by producer's federal antitrust

claims, state claims would be dismissed without prejudice and without leave to amend as state claims were more properly left to determination of state courts.

William E. Johnson, Los Angeles, Cal., for plaintiffs.

John J. Hanson, Gibson, Dunn & Crutcher, Los Angeles, Cal., for National Broadcasting Co., Inc. and NBC Intern., Ltd.

Richard C. Yarmuth, Culp, Dwyer, Cuterson & Grader, Seattle, Wash., Douglas L. Thorpe, Los Angeles, Cal., for Tele-Communications, Inc. and TCI Programs, Inc.

Martin S. Zohn, Los Angeles, Cal., for National Telefilm Assoc., NTA Delaware, NTA Films, Inc., and NTA (Canada) Ltd.

MEMORANDUM OPINION

TASHIMA, *District Judge*. This is an action by the respective producers of the television shows *Bonanza* and *The High Chaparral* ("*Chaparral*") against National Broadcasting Company ("NBC"), which originally purchased the broadcast rights to the two series, National Telefilm Associates, Inc., and its subsidiaries (collectively "NTA"), which purchased the syndication rights to the two programs in 1973 from NBC, Tele-Communications, Inc. ("TCI"), which controls NTA, and George C. Hatch, a director and shareholder of TCI. The First Amended Complaint ("complaint") alleges four claims under the Sherman Act, 15 U.S.C. §§ 1 & 2, seeking treble damages under § 4 of the Clayton Act, 15 U.S.C. § 15, and numerous pendent claims under state law. All defendants, except Hatch (whose motion is pending), have moved to dismiss on various grounds. For the reasons stated below, their motions are granted because the complaint does not state a valid federal claim.

The complaint alleges that in 1959, Aurora Enterprises, Inc., began production of the *Bonanza* television series. The series ran successfully on the NBC network for 13 years. In 1966, NBC entered into an agreement with Xanadu Productions, Inc. ("Xanadu"), to develop and produce *Chaparral*. In each instance, NBC was granted an exclusive license for television rights in the programs, including both network exhibition rights and syndication rights.

In 1972, the Federal Communications Commission ("FCC") ordered the three major television networks (CBS, NBC, and ABC) to divest themselves of certain subsidiary network program rights, including syndication rights. NBC subsequently sold all of the syndication rights it then owned to NTA, but it retains as a part of the sales price a share (as do plaintiffs in its programs) of the programs' profits.

I. *Plaintiffs Lack Standing to Assert a Block-Booking Claim.*

Plaintiffs' first claim is based upon § 1 of the Sherman Act, 15 U.S.C. § 1. It alleges that defendants have conspired to "block-book" *Bonanza* and

Chaparral with other, unnamed programs that defendants also control. In other words, in order to obtain a license to show *Bonanza or Chaparral*, licensees have allegedly been required to buy exhibition rights for other, less desirable, programs. The complaint also claims that the license fees charged for the tied programs have been artificially inflated, and the fees for the tying programs (*Bonanza and Chaparral*) correspondingly diminished, thus, depriving plaintiff's of some of the royalties they should have received.

[1, 2] There is no question that block-booking is a *per se* violation of § 1 of the Sherman Act, if the seller has economic power over the tying product and if a not insubstantial amount of interstate commerce is affected by the tying arrangement. *United States v. Loew's Inc.*, 371 U.S. 38, 51-52, 83 S.Ct. 97, 105, 9 L.Ed.2d 11 (1962); *Siegel v. Chicken Delight, Inc.*, 448 F.2d 43, 47 (9th Cir. 1971), *cert denied*, 405 U.S. 955, 92 S.Ct. 1172, 31 L.Ed.2d 232 (1972). Economic power is presumed when, as is the case here, the tying product is patented or copyrighted, *Loew's, supra*, 371 U.S. at 45, 83 S.Ct. at 102, and, despite its failure to identify specific instances of block-booking, the complaint adequately alleges a substantial effect on commerce. Thus, the elements of a block-booking claim are properly alleged; however, plaintiffs lack the requisite standing to assert such claims.

Plaintiffs rely on *Mulvey v. Samuel Goldwyn Prod.*, 433 F.2d 1073 (9th Cir. 1970), *cert. denied*, 402 U.S. 923, 91 S.Ct. 1377, 28 L.Ed.2d 662 (1971). In *Mulvey*, on facts closely analogous to the allegations here, where defendant had admitted block-booking for purposes of its summary judgment motion, the Court, in construing the "by reason of" provision of § 4 of the Clayton Act, 15 U.S.C. § 15, held that plaintiff had standing to sue because he was in the "target area." "He was within the area 'which it could reasonably be foreseen would be affected' by block booking. (*Twentieth Century Fox Film Corp. v. Goldwyn, supra*, 328 F.2d [190] at 220.)" *Id.* 433 F.2d at 1076. Reiterating, the Court stated in conclusion:

"Goldwyn directed his activities at the means of distributing films in order to affect their individual revenue-producing potentials—the target area. Mulvey's films are within this target area. Consequently, it is entirely foreseeable that Goldwyn's block booking could impair the profit potential of Mulvey's films, thus depreciating the value of Mulvey's contractual interest in the film's revenues.⁴"

Id. (in footnote 4, the Court disagreed with *Fields Prod., Inc. v. United Artists Corp.*, 432 F.2d 1010 (2d Cir. 1970) (*per curiam*), *cert denied*, 401 U.S. 949, 91 S.Ct. 932, 28 L.Ed.2d 232 (1971)).

Mulvey, of course, is controlling authority in this Circuit, unless it has been effectively overruled.

In *Brunswick Corp. v. Pueblo Bowl-O-Mat, Inc.*, 429 U.S. 477, 489, 97 S.Ct. 690, 697, 50 L.Ed.2d 701 (1977), the Supreme Court, in construing § 4

of the Clayton Act, held that to recover treble damages, plaintiffs "must prove more than injury causally linked" to an unlawful merger. Instead, "[p]laintiffs must prove *antitrust* injury, which is to say injury of the type the antitrust laws were intended to prevent and that flows from that which makes defendants' acts unlawful. The injury should reflect the anti-competitive effect either of the violation or of anticompetitive acts made possible by the violation. It should, in short, be 'the type of loss that the claimed violations . . . would be likely to cause.' " *Id.* (emphasis in original) (citation omitted). The central holding of *Brunswick* has been cited with approval in this Circuit in cases arising under §§ 1 and 2 of the Sherman Act. *E.g., A. H. Cox & Co. v. Star Machinery Co.*, 653 F.2d 1302, 1307 (9th Cir. 1981).

Brunswick makes clear that causation, foreseeability and direct injury (presence in the "target area") are not enough.

"And it is quite clear that if respondents were injured, it was not 'by reason of anything forbidden in the antitrust laws': while respondents' loss occurred 'by reason of' the unlawful acquisitions, it did not occur 'by reason of' that which made the acquisitions unlawful."

429 U.S. at 488, 97 S.Ct. at 697. *Mulvey* clearly holds that any direct loss which occurs by reason of an unlawful block-booking constitutes a § 4 antitrust injury, even though such loss does not occur by reason of that which makes block-booking unlawful. For that which makes block-booking unlawful is the injury to competition in the tied product market. The trade which is restrained by tying is the market in which the tied product would otherwise be required to compete by virtue of its own strength. Those who may suffer antitrust injury from *this* restraint of trade are competitors of the tied product and, conceivably, purchasers in the market for the tied and tying products.

The Supreme Court has characterized the antitrust injury which results from tying arrangements thusly:

"They deny competitors free access to the market for the tied product . . . At the same time buyers are forced to forego their free choice between competing products."

Northern Pac. Ry. v. United States, 356 U.S. 1, 6, 78 S.Ct. 514, 518, 2 L.Ed.2d 545 (1958). The Ninth Circuit has similarly characterized the injury to competition from tying arrangements:

"Competitors in the tied product market are injured if they cannot offer their products on an equal basis with the distributor of the tying product. Buyers are injured because they forego choices among products and services, and the public is harmed by the adverse effect on the market for the tied product."

Moore v. Jas. H. Matthews & Co., 550 F.2d 1207, 1212 (9th Cir. 1977) (citations and footnote omitted).

I, therefore, conclude that, in light of *Brunswick*, *Mulvey* is no longer viable precedent and, perforce, not controlling. This judgment, I believe, is confirmed by more recent authority in this Circuit. Thus, in *John Lenore & Co. v. Olympia Brewing Co.*, 550 F.2d 495, 499 (9th Cir. 1977), this Circuit held that:

"It is not enough to confer standing that plaintiff just prove some injury and show that this injury is within the affected area of the economy. Antitrust violations admittedly create many foreseeable ripples of injury to individuals, but the law has not allowed all of those merely affected by the ripples to sue for treble damages."

See also *California Computer Products, Inc. v. International Business Machines Corp.*, 613 F.2d 727, 732 (9th Cir. 1979).¹

[3] Because plaintiff's claimed injury does not meet *Brunswick's* requirement that it be "of the type the antitrust laws were intended to prevent" and because it does not reflect "the *anticompetitive effect* either of the violation or of anticompetitive acts made possible by the violation," 429 U.S. at 489, 97 S.Ct. at 697 (emphasis added), plaintiffs, as owners of profit rights in allegedly tying programs, lack standing to assert antitrust claims for block-booking. This conclusion is supported by cases in other circuits. See *A.D.M. Corp. v. Sigma Instruments, Inc.*, 628 F.2d 753, 754 (1st Cir. 1980); *Calderone Enterprises Corp. v. United Artists Theatre Circuit, Inc.*, 454 F.2d 1292, 1295 (2d Cir. 1971), *cert denied*, 406 U.S. 930, 92 S.Ct. 1776, 32 L.Ed.2d 132 (1972); *cf. In re Beef Indus. Antitrust Litigation*, 600 F.2d 1148, 1168 (5th Cir. 1979), *cert denied sub nom. Safeway Stores Inc. v. Meat Price Investigators Ass'n*, 449 U.S. 905, 101 S.Ct. 280, 66 L.Ed.2d 137 (1980) (cattle farmers and ranchers lacked standing to allege retail price fixing by grocers, resulting in reduced consumer demand for beef).²

II. Plaintiff *Xanadu's* Second Claim is Barred by the Statute of Limitations.

The second claim alleges that as a condition to purchasing the network exhibition rights to *Chaparral* in 1966, NBC insisted on also purchasing the syndication rights to that program. The complaint further alleges that all three networks repeatedly coerced independent television producers in

¹I recognize that another judge of this district has concluded that *Mulvey's* vitality has not been vitiated by *Brunswick* and is still controlling. *Laughlin v. Wells*, 446 F.Supp. 48 (C.D. Cal. 1978).

²The *Beef Indus.* holding is particularly instructive, because both the Fifth and Ninth Circuits apply the same "target area" approach to determine standing in antitrust cases. *In re Coordinated Pretrial Proceedings in Petroleum Products Antitrust Litigation*, 497 F.Supp. 218 (C.D. Cal. 1980).

a similar manner, at least until 1972,³ when the FCC forbade the networks from acquiring syndication rights. 47 C.F.R. § 73.658(j)(ii). Plaintiff asserts that the contract, the terms of which are still being enforced, is an unreasonable restraint of trade in violation of § 1 of the Sherman Act.³

[4] NBC asserts that this claim is barred by the four-year statute of limitations applicable to antitrust claims. 15 U.S.C. § 15b.⁴ Plaintiff Xanadu's claim is based upon the sale of its rights to NBC in 1966, well outside the limitations period. Even if that purchase were part of a continuing illegal course of conduct by NBC and the other networks, such conduct must have terminated no later than 1973, when the networks were prohibited from any further acquisition of syndication rights. Plaintiff asserts, however, that the statute of limitations has been tolled for a number of reasons.

First, plaintiff argues that the limitation period was tolled during the pendency of *United States v. National Broadcasting Co.*, a civil antitrust action filed in this district against NBC in 1972. That case, and two similar complaints simultaneously filed against each of the other networks, were dismissed without prejudice on November 13, 1974. *United States v. NBC*, 65 F.R.D. 415 (C.D.Cal.1974), *appeal dismissed*, 421 U.S. 940, 95 S.Ct. 1668, 44 L.Ed.2d 97 (1975). Separate actions against each of the networks were refiled within a month. The action against NBC was settled by a consent decree in January 1978; however, judgments against CBS and ABC were not rendered until 1980.

[5, 6] The statute of limitations for antitrust claims is tolled during the pendency of any civil or criminal antitrust case instituted by the United States, and for one year thereafter, as long as the respective causes of action are at least substantially similar. 15 U.S.C. § 16(i); *Leh v. General Petroleum Corp.*, 382 U.S. 54, 59, 86 S.Ct. 203, 207, 15 L.Ed.2d 134 (1965). This action was commenced on January 28, 1981. Therefore, even if it is assumed that the allegations of this case are substantially similar to the allegations in the earlier government case against NBC, the statute would have run since the government's case against NBC was concluded more than one year before the filing of this action.

[7] Plaintiff argues, however, that for the purposes of the tolling period of § 16(i), the action against NBC should not be deemed to have concluded until 1980, when judgments were rendered in the parallel cases against

³No conspiracy is alleged in this claim, other than the incorporation by reference of the alleged block-booking conspiracy. The only contract alleged is the one between NBC and Xanadu. The second claim, therefore, fails to state a claim under § 1 of the Sherman Act because it does not allege an operative contract, combination or conspiracy.

⁴The bar of the statute, if it is clearly evident on the face of the complaint, may properly be raised on a motion to dismiss. *Steiner v. 20th Century Fox Film Corp.*, 232 F.2d 190, 197 (9th Cir. 1956).

ABC and CBS. It points to the rule of this Circuit that under § 16(i) a proceeding remains pending until a judgment has been rendered against all co-conspirators, including not only defendants in the immediate proceeding but also all defendants in any other related government actions arising out of the same conspiracy. *Marine Firemen's Union v. Owens-Corning Fiberglass Corp.*, 503 F.2d 246, 249 (9th Cir. 1974); *Maricopa County v. American Pipe & Constr. Co.*, 303 F.Supp. 77 (D.Ariz.1969), *aff'd* 431 F.2d 1145 (9th Cir. 1970), *cert denied*, 401 U.S. 937, 91 S.Ct. 923, 28 L.Ed.2d 216 (1971); *Utah v. American Pipe and Constr. Co.*, 50 F.R.D. 90, 104 (C.D. Cal. 1970). However, that rule is inapplicable here. The government filed separate actions against each network, and, unlike *Maricopa County*, *supra*, no conspiracy between the networks was alleged in any of those complaints.

[8, 9] Plaintiff next alleges that defendants fraudulently concealed the facts surrounding its (Xanadu's) claim by inaccurately reporting the revenue earned through the syndication of *Bonanza* and *Chaparral*. A properly pleaded fraudulent concealment claim must allege affirmative conduct which would, under the circumstances of the case, lead a reasonable person to believe that he did not have a claim for relief. *Rutledge v. Boston Woven Hose & Rubber Co.*, 576 F.2d 248, 250 (9th Cir. 1978). The alleged coercion must have been evident to plaintiff in 1966, when the *Chaparral* contract was signed. The allegations do not adequately explain why or how inaccurate profit statements would conceal its claim and plaintiff has come forward with no plausible theory how this could be done.

Next, plaintiff Xanadu argues that its second claim states a continuing claim, since the contract for the purchase of rights to *Chaparral* is still being enforced and is continuing to cause injury to it. This theory is based upon *Twin City Sport Service, Inc. v. Charles O. Finley & Co.*, 512 F.2d 1264 (9th Cir. 1975). *Twin City* involved a 1950 contract between a concession service and the then Philadelphia Athletics, granting the service an exclusive franchise. The franchise was extended in 1952, and again in 1954. When the Athletics moved to Oakland, Finley breached the contract and asserted in his defense that the contract violated the antitrust laws. The court held that Finley's counterclaim was not barred by the statute of limitations, because of the continuing nature of the alleged harm (counter-defendant's continued enforcement of the contract in question).⁵

⁵The holding in *Twin City* was, in turn, based on a footnote in *Hanover Shoe Inc. v. United Shoe Mach.*, 392 U.S. 481, 502 n.15, 88 S.Ct. 2224, 2236 n.15, 20 L.Ed.2d 1231 (1968), which stated that defendant's action in collecting rent on a lease that violated the antitrust law constituted a continuing antitrust violation, even though the lease had been executed outside the limitation period. See also *Imperial Point Collonnades Condominium, Inc. v. Mangurian*, 549 F.2d 1029 (5th Cir), *cert. denied sub nom. Mangurian v. Thompson*, 434 U.S. 859, 98 S.Ct. 185, 54 L.Ed.2d 132 (1977); *Baker v. F & F Inv.*, 420 F.2d 1191 (7th Cir.), *cert denied*, 400 U.S. 821, 91 S.Ct. 40, 27 L.Ed.2d 49 (1970).

The *Twin City* rule, however, was limited in *In re Multidistrict Vehicle Air Pollution*; 591 F.2d 68 (9th Cir.), *cert denied sub nom. AMF, Inc. v. General Motors Corp.*, 444 U.S. 900, 100 S.Ct. 210, 62 L.Ed.2d 136 (1979) ("AMF"). The plaintiff in that case, AMF, Inc., alleged that the four major American automobile manufacturers had jointly agreed not to buy its "Smog Burner" device. The court found that the actions complained of had taken place in 1964, and that AMF had been completely excluded from the market prior to January 1975. The court held that AMF's injury was final, and that the statute of limitations began to run as of the earlier date.

" 'Where the violation is final at its impact, for example, where the plaintiff's business is immediately and permanently destroyed, or where an actionable wrong is by its nature permanent at initiation without further acts, then the acts causing damage are unrepeatable, and suit must be brought within the limitations period and upon the initial act.' "

591 F.2d at 72 (quoting *Poster Exchange Inc. v. National Screen Serv. Corp.*, 517 F.2d 117, 126-27 (5th Cir. 1975), *cert. denied*, 423 U.S. 1054, 96 S.Ct. 784, 46 L.Ed.2d 643 (1976)).

[10] The holding in *AMF* rather than the holding in *Twin City*, controls this case. The injury incurred by plaintiffs, if any, was permanent at the time of sale. Assuming it is true, as plaintiffs assert, that the 1966 contract is still in force, and that NBC continues to collect a larger share of the profits than it would have received had it not allegedly coerced plaintiffs into selling the syndication rights along with the network exhibition rights; nevertheless, unlike *Twin City* and *Hanover Shoe*, the contract in question does not *itself* violate the antitrust laws. What is alleged to have violated the antitrust laws in NBC's exercise of coercion in 1966, and that act was "by its nature permanent at initiation without further acts". *AMF, supra*, 591 F.2d at 72.

[11, 12] Finally, plaintiffs argue that their claims could not have accrued until the damages suffered thereby became provable and ascertainable, and that their damages have become ascertainable only recently, in light of the defendant's fraudulent and inaccurate accounting. *Zenith Radio Corp. v. Hazeltine Research, Inc.*, 401 U.S. 321, 339, 91 S.Ct. 795, 806, 28 L.Ed.2d 77 (1971); *Hanson v. Shell Oil Co.*, 541 F.2d 1352, 1361 (9th Cir. 1976), *cert. denied*, 429 U.S. 1074, 97 S.Ct. 813, 50 L.Ed.2d 792 (1977). In *AMF, supra*, 591 F.2d at 72-73, the same argument was raised and the Ninth Circuit there recognized the difference between uncertainty of the fact of damage, which prevents recovery, and uncertainty of the extent of damage, which does not prevent recovery. The coercion complained of in the second claim constituted certain damage at the time it occurred, in 1966; only the extent of damage may have remained uncertain. If suit had been brought by plaintiffs at the proper time, they would have had a claim in spite of the fact that *Chaparral's* future profitability may not have been

known with certainty. An antitrust plaintiff is not required to prove damages with exactitude. *Zenith Radio Corp. v. Hazeltine Research, Inc.*, 395 U.S. 100, 123-24, 89 S.Ct. 1562, 1576-77, 23 L.Ed.2d 129 (1969). Since plaintiff Xanadu has failed to offer a valid reason for tolling the statute of limitations, its second claim must also be dismissed.

III. *Plaintiffs' Third Claim Also Fails to State A Claim.*

[13] Plaintiffs' third claim alleges that NBC agreed to syndicate all, or almost all, of its programs through NTA and that NTA, in turn, agreed to syndicate those programs, including *Bonanza* and *Chaparral*, in such a way as to minimize competition with programming on the NBC network. This claim must be dismissed as well because, as presently framed, it does not state a claim upon which relief can be granted.

First, it is not clear whether this claim arises solely from NBC's sale of syndication rights to NTA in 1973 or whether plaintiffs are alleging a continuing agreement between defendants. If plaintiffs intend to challenge only the direct effects of the sale, this claim is barred by the statute of limitations, since it arose at the time of the sale and since plaintiffs were aware of the sale at the time it was consummated. See Part II, *ante*.

Second, if plaintiffs intend to allege a continuing conspiracy between NBC and NTA to divide the television programming market, their allegations are insufficient without a more complete statement of the actions defendants have taken to carry out their scheme. Since NTA does not itself exhibit plaintiffs' programs, the complaint as currently framed does not adequately state how the alleged conspiracy or agreement could have inflicted an antitrust injury on plaintiffs.⁶

Although plaintiffs have already once amended their complaint, they will be given one final opportunity to further amend this claim. Plaintiffs should set forth with specificity the nature and objective of the alleged conspiracy, its members and how the unreasonable restraint of trade alleged was sought to be accomplished. Accordingly, the third claim will be dismissed with leave to amend.

IV. *The Attempted Monopolization Claim Must Also Be Dismissed.*

[14, 15] Plaintiffs' final federal claim is that defendants' conduct, as alleged in the first three claims, "was done with the specific intent of ob-

⁶Plaintiffs' standing to pursue this claim also appears to be highly doubtful. Since plaintiffs seem to be claiming that their own syndicator, NTA, was one of the conspirators in the attempted monopolization scheme, plaintiffs would appear to be the beneficiaries and not the victims of the attempt, *i.e.*, the injury, if any, suffered by plaintiffs from NTA's attempt to monopolize was not an antitrust injury. See Part I, *ante*.

taining a monopoly in television production, distribution, and programming in general and on the NBC Television Network,” and constitutes an attempt to monopolize such markets. To adequately allege an attempt to monopolize claim under § 2 of the Sherman Act, 15 U.S.C. § 2, three elements are indispensable: (1) specific intent to control prices or destroy competition in some part of commerce; (2) predatory or anticompetitive conduct directed to the accomplishment of that unlawful purpose; and (3) a dangerous probability of success. *E.g.*, *William Inglis & Sons Baking Co. v. ITT Continental Baking Co.*, 652 F.2d 917, 931 (9th Cir. 1981); *Blair Foods, Inc. v. Ranchers Cotton Oil*, 610 F.2d 665, 669 (9th Cir. 1980). Plaintiffs’ § 2 claim alleges no independent facts, relying instead on those asserted in the three § 1 claims. The dismissal of those claims requires that the § 2 claim be dismissed as well for failure to adequately allege predatory conduct. *See William Inglis & Sons Baking Co.*, *supra*, 652 F.2d at 934 n.14. In addition, there is no allegation of the third element, dangerous probability of success. Plaintiffs’ fourth claim, therefore, is dismissed for failure to state a claim on which relief can be granted.

V. *The Pendent State Claims Should Also be Dismissed.*

[16] The complaint includes nine separate state law claims for violation of the Cartwright Act (Cal. Bus. & Prof. Code § 16700 *et seq.*), unfair competition, breach of contract, fraud, accounting, breach of fiduciary duty, money had and received, conversion and to impose a constructive trust. These claims are ordered dismissed, in the exercise of the Court’s discretion, without prejudice and without leave to amend.

In *United Mines Workers v. Gibbs*, 383 U.S. 715, 726-27, 86 S.Ct. 1130, 1139, 16 L.Ed.2d 218 (1966), while the holding that federal courts have the power to hear state claims which share a common nucleus of operative facts with substantial federal claims, the Court stated:

“That power need not be exercised in every case in which it is found to exist. It has consistently been recognized that pendent jurisdiction is a doctrine of discretion, not of plaintiff’s right. Its justification lies in considerations of judicial economy, convenience and fairness to litigants; if these are not present a federal court should hesitate to exercise jurisdiction over state claims. . . . Needless decisions of state law should be avoided both as a matter of comity and to promote justice between the parties, by procuring for them a surer-footed reading of applicable law. . . . [I]f it appears that the state issues substantially predominate, whether in terms of proof, of the scope of the issues raised, or of the comprehensiveness of the remedy sought, the state claims may be dismissed without prejudice and left for resolution to state tribunals.”

The issues raised and proof required by plaintiffs’ state law claims substantially outweigh and diverge from the issues presented by their

federal antitrust claims as to which leave to amend has been granted. These claims, therefore, are more properly left for determination by the state courts.

Conclusion

The antitrust laws embody an important federal policy, but their scope is not unlimited. Because plaintiffs have not suggested how their first and second claims could be amended and, in view of the allegations heretofore made, it appearing that they cannot do so, the first and second claims are dismissed without leave to further amend. However, leave will be granted to amend the third and fourth claims. While plaintiffs may well have viable state law claims, these claims should properly be resolved by state courts. Therefore, this Court declines to exercise its pendent jurisdiction over these claims and they are dismissed without prejudice.

GEORGE P. BALLAS BUICK-GMC, INC. v. TAYLOR BUICK, INC., et al.

No. 81-1411

(Court of Common Pleas of Lucas County—September 9, 1981—On Motion for Relief From Judgment—October 13, 1981)

449 N.E.2d 805. 5 Ohio Misc.2d 16

[See also 5 Ohio App.3d 71, 449 N.E.2d 503, 46 C.O.Bull. 153 (Ohio Ct. App.—*Affirmed*, Apr. 16, 1982)]

Automobile seller brought complaint for unfair competition under the Deceptive Trade Practices Act alleging misappropriation of its billboard advertising design. Following hearing on preliminary injunctive relief, the Court of Common Pleas, Lucas County, Francis Restivo, J., held that automobile seller was not entitled to preliminary or permanent injunctive relief where, despite possible showing of secondary meaning, there was no showing of likelihood of confusion on part of buying public.

Complaint dismissed.

1. Copyrights and Intellectual Property

Patents

Under court interpretation of federal copyright law, general rule has been established that person has right to copy whatever federal patent and copyright laws leave in public domain. 17 U.S.C.A. § 301.

2. Trade Regulation

State action in deceptive trade practice law has been restricted by court interpretation of federal copyright law to prevention of confusion of sources by regulating such matters as trade dress, labeling, and passing off to prevent source confusion; in short, while state may not prohibit copying of articles, it may protect business and use of their labels, or distinctive dress, in packaging or advertising of such articles so as to prevent others from misleading purchasers as to source of article by imitation of such label or dress. 17 U.S.C.A. § 301.

3. States

Trade Regulation

Complaint under Deceptive Trade Practices Act alleging misappropriation of advertising design and infringement of common-law service mark was not permitted by federal copyright law in light of allegation of likelihood of confusion on part of buying public as to source or origin of services offered. 17 U.S.C.A. § 301; R.C. § 4165.02.

4. Trade Regulation

In suit for unfair competition to enjoin use of similar trademark, trade dress or advertising design under Deceptive Trade Practices Act, plaintiff must prove two elements: secondary meaning and likelihood of confusion; secondary meaning exists where mark comes to identify not only goods but source of those goods while likelihood of confusion requires showing that ordinary purchaser will be misled or deceived by similarity. R.C. § 4165.01 et seq.

5. Trade Regulation

Color, in combination with size, shape or symbols, may constitute valid trademark which may be protected against use of another mark which is similar in color and other characteristics. R.C. §§ 1329.54, 4165.01(D); Lanham Trade-Mark Act, § 45, 15 U.S.C.A. § 1127.

6. Trade Regulation

Whether trademark is distinctively valid depends upon consideration of its elements as a whole and not upon its dissected parts. R.C. §§ 1329.54, 4165.01(D); Lanham Trade-Mark Act, § 45, 15 U.S.C.A. § 1127.

7. Trade Regulation

Service mark of automobile seller consisted of its advertising billboard as a whole and not just red, white, and blue interstate shield on green background with white border where there was no evidence to demonstrate usage of shield as seller's service mark other than on its advertising billboards and where, even on billboards, seller's name and other wording were dominant characteristics. R.C. § 4165.01(D).

8. Trade Regulation

Automobile seller was not entitled to preliminary or permanent injunctive relief from competitor's use of similar advertising billboard where, even though secondary meaning in service mark may have been demonstrated, there was no showing of likelihood of confusion on part of buying public. R.C. § 4165.02.

On Motion for Relief from Judgment

9. Pretrial Procedure

Court may dismiss complaint where it finds that plaintiff has failed to state claim upon which relief can be granted and that plaintiff cannot state such a claim.

10. Pretrial Procedure

Complaint for unfair competition alleging misappropriation of advertising design on billboard could be dismissed following hearing for preliminary injunction upon finding that

plaintiff could not state claim for unfair competition even though there was no consolidation of hearing for preliminary injunction with hearing on the merits. Rules Civ.Proc., Rule 65(B)(2).

Farrar & Lackey and Richard G. Farrar, Toledo, for plaintiff.

Shumaker, Loop & Kendrick and Robert G. Clayton, Toledo, for defendants.

RESTIVO, *Judge*. This cause is before the court upon the plaintiff's complaint seeking a preliminary and permanent injunction against the defendants' use of certain advertising consisting of a billboard located at Interstate Route 475 and Jackman Road in Toledo, Ohio. Evidence and direct testimony were presented at hearings before this court, and oral arguments as well as post-hearing briefs were submitted by both parties. In consideration of the same, this court finds that plaintiff is not entitled to injunctive relief, and that its complaint is without merit and should be dismissed.

The cause of action alleged in the plaintiff's complaint is one for unfair competition under the Ohio Deceptive Trade Practices Act (R.C. 4165.01 *et seq.*). R.C. 4165.02 of that Act states in relevant part:

"A person engages in a deceptive trade practice when, in the course of his business, vocation, or occupation, he:

"(A) Passes off goods or services as those of another;

"(B) Causes likelihood of confusion or misunderstanding as to the source, sponsorship, approval, or certification of goods or services;

"(C) Causes likelihood of confusion or misunderstanding as to affiliation, connection or association with, or certification by, another;

"* * *

"(E) Represents that goods or services have sponsorship, approval, characteristics, ingredients, uses, benefits, or quantities that they do not have or that a person has a sponsorship, approval, status, affiliation, or connection that he does not have;"

Based on this section, plaintiff has alleged that the defendants misappropriated its research, design and advertising by copying and duplicating its advertising design on the above-described billboard thereby appropriating plaintiff's property rights in this advertising design. Furthermore, at the hearings before this court, plaintiff also argued that the defendants unlawfully infringed upon its common-law service mark.

[1,2] Defendants have raised several arguments against plaintiff's allegations. First, defendants contend that the plaintiff's cause of action for misappropriation is precluded by the federal copyright law (Section 301, Title 17, U.S.Code). Under court interpretation of that law, a general rule has been established that a person has the right to copy whatever federal patent and copyright laws leave in the public domain. See *Sears, Roebuck & Co. v. Stiffel Co.* (1964), 376 U.S. 225, 84 S.Ct. 784, 11 L.Ed.2d 661;

Compco Corp. v. Day-Brite Lighting, Inc. (1964), 376 U.S. 234, 84 S.Ct. 779, 11 L.Ed.2d 669. State action in deceptive trade practice law, therefore, has been restricted to the prevention of confusion of sources by regulating such matters as trade dress, labeling, and passing off to prevent source confusion. In short, while a state may not prohibit the copying of an article, it may protect businesses in the use of their labels, or distinctive dress, in the packaging or advertising of such article so as to prevent others from misleading purchasers as to the source of the article by the imitation of such label or dress. See *Sears, Roebuck & Co. v. Stiffel Co.* *supra*, 376 U.S. at 232, 84 S.Ct. at 789; *Lozier v. Kline* (1973), 40 Ohio App.2d 277, 319 N.Ed.2d 204 [69 O.O.2d 261]; *Mr. Gasket Co. v. Travis* (1973), 35 Ohio App.2d 65, 299 N.Ed.2d 906 [64 O.O.2d 192].

[3] The Ohio Deceptive Trade Practices Act was specifically passed along these lines in order to protect the buying public from possible confusion as to the source or origin of services. Such regulation of market practices by the state for the protection of consumers is well-recognized. Thus, plaintiff's reliance on this law as a basis for its allegations of misappropriation of its advertising design and infringement of its common-law service mark is well-founded. While the mere reproduction of plaintiff's advertising design by the defendants would not be sufficient to sustain its cause of action, the further allegation of a likelihood of confusion on the part of the buying public as to the source or origin of the services offered places this case within the parameters of R.C. 4165.02. In sum, plaintiff's misappropriation claim is not preempted by federal copyright law.

[4] Defendants have further contended, however, that even if plaintiff's claims are not preempted, plaintiff has still failed to meet its burden of proof required by the Ohio Deceptive Trade Practices law. Under that law, in a suit for unfair competition to enjoin the use of a similar trademark, trade dress or advertising design, plaintiff must prove two elements; secondary meaning and likelihood of confusion. *Mr. Gasket Co. v. Travis*, *supra*; see also *Tas-T-Nut Co. v. Variety Nut & Date Co.*, (C.A.6, 1957), 245 F.2d 3. Secondary meaning exists where the mark comes to identify not only the goods but the source of those goods, see *Ralston Purina Co. v. Thomas J. Lipton, Inc.* (S.D.N.Y.1972), 341 F.Supp. 129; *Mr. Gasket Co. v. Travis*, *supra*, while likelihood of confusion requires a showing that the ordinary purchaser will be misled or deceived by the similarity. See *Chevron Chemical Co. v. Voluntary Purchasing Groups, Inc.* (N.D.Tex.1980), 209 U.S.P.Q. 951; *National Van Lines, Inc. v. Dean* (C.A.7, 1961), 288 F.2d 5; *Mr. Gasket Co. v. Travis*, *supra*.

In applying this law, the court must first determine the extent of the allegedly infringed service mark. In this case, the parties are in disagreement as to the exact nature of the plaintiff's service mark. Plaintiff contends that its common-law service mark consists of the red, white and blue

interstate shield in combination with a green background having a white border. Defendants, on the other hand, apparently contend that the only valid service mark which plaintiff might have is the sign as a whole.

[5] The law is fairly clear on this point, however, as it defines a "service mark" as a mark used in the sale or advertising of services to identify the services of one person and distinguish them from the services of another. See Section 1127, Title 15, U.S. Code; R.C. 1329.54. Such a mark can consist of a word, name, symbol, device, or any combination of the foregoing in any form or arrangement. R.C. 4165.01(D). Moreover, color, in combination with size, shape or symbols, may constitute a valid trademark which may be protected against use of another mark which is similar in color and other characteristics. See, e.g., *Keller Products, Inc. v. Rubber Linings Corp.* (C.A.7, 1954), 213 F.2d 382; *Safe-Cabinet Co. v. Globe-Wernicke Co.* (1914), 3 Ohio App. 24, modified and affirmed (1915), 92 Ohio St. 532, 112 N.E. 478; *Cigar Makers' International Union v. Burkhardt* (C.P. 1898), 6 N.P. 342. Thus, plaintiff's red, white and blue interstate shield on a green background with a white border could function as a valid service mark.

[6, 7] Nonetheless, it is equally well-established that whether a trademark is distinctively valid depends upon a consideration of its elements as a whole and not upon its dissected parts. See *Armstrong Cork Co. v. World Carpets, Inc.* (C.A.5, 1979), 203 U.S.P.Q. 19; *National Van Lines, Inc. v. Dean* (C.A.7, 1961), 288 F.2d 5; *Blue Bell Co. v. Frontier Refining Co.* (C.A.10, 1954), 213 F.2d 354. In examining the facts of this case, the court is persuaded by the lack of usage of only the shield on the colored background to advertise plaintiff's services without the inclusion of any words or other symbols. No evidence whatsoever has been produced to demonstrate the usage of the shield on the colored background as plaintiff's service mark other than on its advertising billboards. Yet, on every advertising billboard, the plaintiff's name and other wording are dominant characteristics.¹ Such words or literal portion of the mark is the part most likely to be impressed upon a purchaser's memory and generally serve as the indicia of origin of the services offered. See, e.g., *In re Drug Research Reports, Inc.* (TT & A Bd. 1978), 200 U.S.P.Q. 554; *Consumers Building Marts, Inc.* (TT & A Bd. 1977), 196 U.S.P.Q. 510. Thus, this court is of the opinion that plaintiff's service mark consists of its advertising billboard as a whole.²

¹Plaintiff's reliance on *Keller Products, Inc. v. Rubber Linings Corp.* (C.A.7, 1954), 213 F.2d 382, for the proposition that the inclusion of plaintiff's name does not destroy the validity of the symbol alone as a mark is misplaced since in that case the name and other wording were not dominant characteristics.

²Further support for this finding is the fact that no evidence has been produced by the plaintiff to show that the shield on the colored background alone has come to identify the source of plaintiff's services as required by the secondary meaning doctrine.

[8] In examining the advertising billboard as plaintiff's service mark, the court finds that while plaintiff may have demonstrated secondary meaning through the testimony of its five witnesses, it has totally failed to prove a likelihood of confusion on the part of the buying public. On both plaintiff's and the defendants' advertising displays, each of their names are prominently displayed. Every witness at the hearing testified that there was no doubt whose billboard was whose. Furthermore, the services offered (*i.e.*, the sale of automobiles) generally apply to customers who can be expected to make careful deliberations before accepting such services.

Under such circumstances, this court is of the opinion that the case of *International Heating Co. v. Oliver Oil Gas Burner & Machine Co.* (C.A.8, 1923), 288 F. 708, sets forth the applicable reasoning to be applied. In holding that defendants' advertisements could not sustain a cause of action for unfair competition, the Eighth Circuit Court of Appeals stated in that case:

"* * * Unfair competition begins where imitation results in the deception of the customers of the party complaining. * * * In every advertisement found in the record, each party made prominent its name and address, as well as the distinctive name of its burner * * *. Each has a cut showing a woman by a stove, but the similarity is not such as to mislead. *Especially is this true when it is remembered that we are here dealing with advertisements, and not with the dress in which the burners of the respective parties were offered to customers over the counter by retail dealers.* Similarity of dress is enjoined as unfair competition, because customers, calling for an article, do not stop to read printed names and addresses, or to observe differences which may distinguish the simulated article from the one called for. * * * But a customer obtained through an advertisement must of necessity read the advertisement to become acquainted with the article advertised and to know the name and address of the advertiser. Plaintiff's advertisements describe the Oliver Oil Gas Burner and give plaintiff's name * * * with its address. The advertisements of the defendant company describe the Instant Gas Oil Burner and give its name * * * with its address. No sensible person acquainted with plaintiff's advertisements would believe that the defendant company was advertising and selling plaintiff's burner. * * * " (Citations omitted.) (Emphasis added.) *Id.* at 711-712.

See, also, *Kellogg Co. v. National Biscuit Co.* (1938), 305 U.S. 111, 59 S.Ct. 109, 83 L.Ed. 73; *J.R. Clark Co. v. Murray Metal Products Co.* (C.A.5, 1955), 219 F.2d 313; *Heuer v. Parkhill* (W.D.Ark.1953), 114 F.Supp. 665.

Similarly in the case at bar, this court is convinced that a reasonably prudent purchaser would not be misled or confused by the defendant's advertising billboard. Based on the above findings, then, plaintiff's complaint seeking preliminary and permanent injunctive relief is not well-taken and must be dismissed.

COMPLAINT DISMISSED.

ON MOTION FOR RELIEF FROM JUDGMENT

[9] This cause is now before the court upon the plaintiff's motion for relief from this court's Judgment of September 9, 1981, dismissing the plaintiff's complaint with prejudice. Plaintiff contends that under Civ.R. 65(B)(2), it was improper for this court to dismiss the plaintiff's complaint following only a hearing for a preliminary injunction where there was no consolidation of that hearing with a hearing on the merits. While the court agrees that plaintiff would generally be entitled to a full trial on the merits, it is clear that the court may dismiss the complaint where it finds that plaintiff has failed to state a claim upon which relief can be granted and that plaintiff cannot state such a claim. See, e.g., *Mast, Foos & Co. v. Stover Mfg. Co.* (1900), 177 U.S. 485, 20 S.Ct. 708, 44 L.Ed. 856; *Bright v. Nunn* (C.A.6, 1971), 448 F.2d 245; *Hurwitz v. Directors Guild of America, Inc.* (C.A.2, 1966), 364 F.2d 67, certiorari denied (1966), 385 U.S. 971, 87 S.Ct. 508, 17 L.Ed.2d 435; *Standard Oil Co. of Texas v. Lopeno Gas Co.* (C.A.5, 1957), 240 F.2d 504. In this case, the court has determined that no reasonably prudent purchaser could possibly be misled or confused by the defendant advertising billboard, and therefore, that plaintiff cannot state a claim for unfair competition.

[10] Since plaintiff cannot show any right to relief, it was appropriate for this court to dismiss the plaintiff's complaint. Therefore, plaintiff's motion for relief from judgment must be denied.

MOTION DENIED.

BELO BROADCASTING CORPORATION, Plaintiff-Appellant, v.
Jesse **CLARK**, Defendant-Appellee

UNITED STATES of America, Plaintiff, v. Billy Wayne **CLAYTON**, et al., Defendants, KDFW-TV, Inc. and Quin Mathews, Movants-Appellants

Nos. 80-2169, 80-2239

(*United States Court of Appeals, Fifth Circuit, Unit A – August 28, 1981*)

654 F.2d 423

Broadcasters filed requests to copy for public broadcast audiotapes of discussions between defendants and FBI agents in connection with the "Brilab" sting operation concerned with alleged bribery in awarding state employees insurance contracts in Texas. The United States District for the Southern District of Texas, Robert O'Connor, Jr., J., denied the request. Broadcasters appealed. The Court of Appeals, Gee, Circuit Judge, held that: (1) the denial of a request for a "temporary restraining order" was appealable where factual development was

irrelevant to determination of the motion, the hearing was not ex parte and time was exceedingly short; (2) there was no First Amendment right of access to the audiotapes of discussions between the defendants and the FBI agents in connection with the "Brilab" sting operation; (3) a constitutional right of access to the audiotapes could not be grounded on the petition clause of the First Amendment; and (4) even though there is a common-law right of access that predates the Constitution itself, the district judge did not abuse his discretion in denying the broadcasters access to the tapes, when that denial was grounded on the right of a yet-to-be tried defendant to a fair trial.

Affirmed.

1. Federal Courts

Disposition of motion for temporary restraining order is generally not appealable as order granting, denying or modifying injunction. 28 U.S.C.A. § 1292(a)(1).

2. Federal Courts

Denial of so-called temporary restraining order is properly appealable when entered after hearing in which all interested parties had opportunity to participate, thus allowing for full presentation of relevant facts. 28 U.S.C.A. § 1292(a)(1).

3. Federal Courts

Denial of motion seeking what was styled as temporary restraining order seeking to require district court to allow broadcasting station to copy for public broadcast audiotapes of discussions between defendants and FBI agents in connection with "Brilab" sting operation concerned with alleged bribery in awarding state employee insurance contracts in Texas was order sufficiently final to endow Court of Appeals with jurisdiction, since factual development was irrelevant, hearing was not ex parte and time was exceedingly short. 28 U.S. C.A. § 1292(a)(1).

4. Constitutional Law

There is no First Amendment right of access to audiotapes of discussion between defendants and FBI agents in connection with "Brilab" sting operation concerned with alleged bribery in awarding state employee insurance contracts in Texas. U.S.C.A.Const. Amend. 1.

5. Constitutional Law

Where members of press were allowed to listen to audiotapes of discussions between defendants and FBI agents in connection with "Brilab" sting operations concerned with alleged bribery in awarding employee insurance contracts in Texas when tapes were played in court, transcripts were prepared and distributed for use of members of press, and reporters and broadcasters were free to report information as they wished, Constitution did not require that members of press be allowed to play those tapes over airwaves. U.S.C.A. Const. Amend. 1.

6. Constitutional Law

Press enjoys no constitutional right of physical access to courtroom exhibits. U.S.C.A.Const. Amend. 1.

7. Constitutional Law

Broadcasters did not have right of access to audiotapes of discussions between defendants and FBI agents in connection with "Brilab" sting operation concerned with alleged bribery in awarding state employee insurance contracts in Texas under clause of First Amendment providing that Congress shall make no law abridging right of people to petition government for redress of grievances. U.S.C.A.Const. Amend. 1.

8. Records

There is right of access to courtroom exhibits derived not from Constitution, but rather, common-law right of access that predates Constitution itself.

9. Criminal Law

In reviewing decisions of district judge in connection with request for access to courtroom exhibits, issue is whether district judge abused his discretion.

10. Criminal Law

District judge did not abuse his discretion in denying requests by broadcasters to copy for public broadcast audiotapes of discussions between defendants and FBI agents in connection with "Brilab" sting operation concerned with alleged bribery in awarding state employee insurance contracts in Texas where judge's concern was with right of yet-to-be tried defendant. U.S.C.A.Const. Amend. 6

11. Criminal Law

In determining whether district judge abused his discretion in denying requests by broadcasters to copy audiotapes of discussions between defendants and FBI agents in connection with "Brilab" sting operation concerned with alleged bribery in awarding state employee insurance contracts in Texas when district judge based denial on right of yet-to-be tried defendant to fair trial, it would be better to err on side of generosity in protection of yet-to-be defendant's right to fair trial before impartial jury. U.S.C.A. Const. Amend. 6.

12. Criminal Law

In determining whether district judge abused his discretion in denying request by broadcasters to copy for public broadcast audiotapes of discussions between defendants and FBI agents in connection with "Brilab" sting operation concerned with alleged bribery in awarding state employee insurance contracts in Texas, fact that there may have been easy selection of jury for earlier trial in connection with same case did not establish unlikelihood that pretrial publicity would affect rights of yet-to-be tried defendant, and, therefore, it was not abuse of discretion to deny access based on right of yet-to-be tried defendant to fair trial. U.S.C.A.Const. Amend. 6.

13. Telecommunications

District judge did not abuse his discretion in denying requests by broadcasters to copy audiotapes of discussions between defendants and FBI agents in connection with "Brilab" sting operation concerned with alleged bribery in awarding state employee insurance contracts in Texas even if other procedural devices were available to guarantee yet-to-be tried defendant's fair trial right, since broadcasters' common-law right of access did not rise to level of importance or merit same degree of protection as yet-to-be tried defendant's right to fair trial. U.S.C.A.Const. Amend. 6.

14. Criminal Law

Because of difficulties inherent in formulating broad yet clear rule to govern variety of situations in which right of access of press to courtroom exhibits must be reconciled with legitimate countervailing public or private interests, decision as to access is one which rests in sound discretion of trial court, and any denial or infringement of "precious" and "fundamental" common-law right remains subject to appellate review for abuse.

Locke, Purnell, Boren, Laney & Neely, Stephen Philbin, Dallas, Tex., for plaintiff-appellant.

Mary L. Sinderson, Asst. Atty. Gen., Houston, Tex., for defendant-appellee.

Jackson, Walker, Winstead, Cantwell & Miller, Charles L. Babcock, Stephen Philbin, Dallas, Tex., for movants-appellants.

Appeals from the United States District Court for the Southern District of Texas.

Before CHARLES CLARK and GEE, Circuit Judges, and SPEARS*, District Judge.

GEE, *Circuit Judge*. As the result of a Federal Bureau of Investigation "sting" operation (the "Brilab" investigation) concerned with alleged bribery in the awarding of state employee insurance contracts, the speaker of the Texas House of Representatives, two Austin, Texas, attorneys, and a Houston, Texas, labor official, L. G. Moore, were indicted and the first three tried and acquitted in Houston on a number of federal offenses.¹

Prominent items of proof at trial were audiotapes of discussions between defendants and the FBI operatives. Prior to and during the criminal trial, the presiding district judge prohibited the clerk of the court, counsel or any party from providing the news media with the tapes or copies of the tapes admitted into evidence at trial. Belo Broadcasting Corporation and station KDFW, two Dallas broadcasting stations, made separate requests to the district judge to copy these Brilab tapes for public broadcast. Both the Belo motion, made during the criminal trial, for a temporary restraining order that would have required the clerk to turn over the tapes to the broadcaster, and the KDFW "Petition for Hearing and for Vacation of Restrictions on Press and Other News Media," filed after the verdicts of acquittal, were denied by the district court. In refusing to permit the requested access, the district judge made clear his concern that broadcast of the tapes outside his courtroom would have a deleterious effect on the pending trial of defendant Moore. In his memorandum opinion rejecting Belo's request, which was incorporated by reference in his denial of the subsequent KDFW motion, the district judge wrote:

"Widespread publication of these tapes prior to trial will severely prejudice Mr. Moore's sixth amendment right to a fair trial, as well as potentially deny him rights guaranteed by the fourth and fifth amendments. Moreover, if the tapes are prematurely heard by the public, this court would be severely hampered in selecting a fair and impartial jury in the forthcoming trial.

The broadcasters' appeals have been consolidated for our consideration. We affirm the orders of the district court.

*District Judge of the Western District of Texas, sitting by designation.

¹L. G. Moore's trial was severed from that of the other defendants and originally set for December 1, 1980. A continuance beyond that date was granted by the district court, and from what appears in the record, the trial of defendant Moore has yet to begin. That Moore was standing trial separately was the dispositive factor in the trial court's decision that prompts this appeal.

I. Appellate Jurisdiction.

A brief but necessary discussion of the appealability of these district court orders is warranted. The disposition below of KDFW's "Petition for Hearing and for Vacation of Restrictions on Press and Other News Media" is an appealable order. The petition was copied from one filed in the criminal trial of former U.S. Senator Edward Gurney, the lower court disposition of which was found by this court to be a sufficiently appealable order in *United States v. Gurney*, 558 F.2d 1202 (5th Cir. 1977).

[1, 2] The Belo request stands in a somewhat different light: Belo appeals from the denial of what all concerned styled a temporary restraining order ("TRO"). The disposition of a motion for a temporary restraining order is generally not appealable under 28 U.S.C. § 1292(a)(1) as an order granting, denying, or modifying an injunction. In certain circumstances the denial of a requested TRO can be considered denial of a preliminary injunction. The label appended by the requesting party or the judge is not conclusive as to its proper characterization. The central inquiry goes to the nature and scope of the hearing that precedes that denial of the motion. The denial of a so-called temporary restraining order is properly appealable when entered after a hearing in which all interested parties had an opportunity to participate, thus allowing for full presentation of relevant facts. See *Dilworth v. Riner*, 343 F.2d 226 (5th Cir. 1965).

[3] Application of these principles to this "TRO" denial does not yield a certain result. From what appears in the transcript, the hearing on Belo's motion could not have lasted over a minute. Belo's lawyers asked for access, the judge denied it. An assistant United States attorney was present, but no occasion arose for her to address the court on behalf of the clerk as custodian of the tapes. The presence of counsel for defendants or L.G. Moore is not reflected in the record. More lawyers could have added little to this hearing; it does not appear that any facts required fuller explication. On these particular facts—a motion for which factual development was irrelevant, the hearing was not *ex parte*, and time was exceedingly short²—we find the denial of the TRO for access to be an order sufficiently final to endow us with jurisdiction.³

²The immediate relief sought by Belo was contemporaneous access to the tapes. That relief is of course beyond the power of this, or any, court—the period for contemporaneity expired with the jury verdict last October. But the broadcasters' requests for access are continuing and continue to be denied. The controversy remains with us; the issue is not moot. See *Richmond Newspapers, Inc. v. Virginia*, 448 U.S. 555, 100 S.Ct. 2814, 2820–21, 65 L.Ed.2d 973 (1980); *United States v. Gurney*, 558 F.2d at 1207.

³Our jurisdictional resolution is bolstered by knowledge that subsequent to the denial of its "TRO" Belo filed for a preliminary injunction seeking the identical relief in the district court; that motion languishes unanswered in the court below, indicating that in all but name the motion for this TRO served the same function as that for preliminary injunction. Once the TRO was denied, nothing remained to be done on this point in the district court. In finding

With both appellants properly before us, we proceed to a consideration of the substance of their positions. Because, as will appear, our conclusions place us in something of a minority among our fellow circuits, we write at greater length than explaining an affirmance of a trial court's exercise of discretion usually requires.

II. *Constitutional Claims*

[4, 5] The broadcasters assert both a constitutional and a common law right of access to the tapes. We deal first with the claimed right of constitutional derivation:⁴ there is no such first amendment right. In *Nixon v. Warner Communications*, 435 U.S. 589, 98 S.Ct. 1306, 55 L.Ed.2d 570 (1978), confronted with a claim identical to that made by the broadcasters here, the Supreme Court squarely rejected a claimed constitutional right of physical access to trial exhibits: "Respondents claim that *Cox Broadcasting*⁵ guarantees the press 'access' to—meaning the right to copy and publish—exhibits and materials displayed in open court. This argument misconceives the holding in *Cox Broadcasting*." *Id.* at 608–09, 98 S.Ct. at 1317–18. In *Cox Broadcasting* the Court held that the press could not be prohibited from reporting what it had learned in open court and what the public was thus entitled to know. In *Warner Communications* the Court recognized the difference between the situation in *Cox Broadcasting* and the one immediately before it and now before us. Here, as in *Warner Communications*, there were "no restrictions on press access to, or publication of any information in the public domain." Members of the press were allowed to listen as the tapes were played in court; transcripts were prepared and distributed for their use; reporters and broadcasters were free to report this information as they wished. All that was denied them was the right to play these tapes over the air waves; that the Constitution does not require.

The district judge here recognized, consistent with prior Supreme Court authority relied on by the Court in *Warner Communications*, that the right of access enjoyed by the press is generally no greater than that of the public at large.

three oral rulings by the trial judge to have "sufficient finality to permit appeal," this court in *United States v. Gurney*, 558 F.2d at 1207, found one important factor in "the improbability of further consideration by the trial court."

⁴We do this with full recognition that constitutional issues are not to be decided unless necessary. As will be seen shortly, because of our decision on the common law right of access, consideration of the constitutional claim was unavoidable. We treat the constitutional issue out of turn in these first pages simply for our own purposes in more efficiently discussing the cases and issues.

⁵In *Cox Broadcasting v. Cohn*, 420 U.S. 469, 95 S.Ct. 1029, 43 L.Ed.2d 328 (1975), the Court struck down as violative of the first amendment a state law that prohibited publication by the press of the names of rape victims revealed in open court.

Thus, the issue presented in this case is not whether the press must be permitted access to public information to which the public generally is guaranteed access, but whether these copies of the White House tapes—to which the public has never had physical access—must be made available for copying. Our decision in *Cox Broadcasting* simply is not applicable.

435 U.S. at 609, 98 S.Ct. at 1318 (emphasis in original). As recognized by the Court in *Warner Communications*, neither the public nor the press enjoys any constitutional right of physical access to exhibits introduced in evidence at a criminal trial. Constitutional requirements are fully satisfied by the kind of untrammelled access to the information contained therein that was afforded press and public alike in this case.

Our decision in *United States v. Gurney*, *supra*, where we found it significant that the documents withheld from the press were not part of the public record in the criminal case, may be read as holding, in reliance on *Cox Broadcasting*, that there exists a constitutional right of physical access to and inspection of courtroom exhibits. To that extent, it must be considered overruled by *Warner Communications*. Counsel for KDFW suggested at oral argument that the subsequent Supreme Court attention to fair trial-free press questions in *Richmond Newspapers, Inc. v. Virginia*, *supra*, had rescued *Gurney* from obliteration by *Warner Communications*. We have carefully considered the argument that *Richmond Newspapers* has altered the firm “no constitutional right of access” holding of *Warner Communications* and thus breathed new life into the broadcasters’ claim of first amendment entitlement to copy and broadcast these tapes. We find it unpersuasive.

The question before the Court in *Richmond Newspapers* was a narrow but important one: “whether the right of the public and press to attend criminal trials is guaranteed under the United States Constitution.” 448 U.S. at 558, 100 S.Ct. at 2818.⁶ The Supreme Court answered that question affirmatively but left us with an even narrower holding: the state court here impermissibly closed *this* criminal trial to public and press alike. That the right to attend criminal trials is not absolutely guaranteed by the first amendment is indicated in the plurality opinion. In restating the question before the Court in a subsequent passage, the Chief Justice writes:

But here for the first time the Court is asked to decide whether a criminal trial itself may be closed to the public upon the unopposed request of a defendant without any demonstration that closure is required to protect the defendant’s superior right to a fair trial, or that some other overriding consideration requires closure.

⁶Unless noted otherwise, all quotations from or citations to *Richmond Newspapers* will be to the plurality opinion of Chief Justice Burger. The derivation of certain principles from this case is a difficult task: besides the opinion by the Chief Justice, there were two concurring statements, three opinions concurring in the judgment, and a dissent.

Id. at 2821. Similarly, in the final portion of his opinion, the Chief Justice examined the particular circumstances of this closure order, concluding, "Absent an overriding interest articulated in findings, the trial of a criminal case must be open to the public." *Id.* at 2830.⁷

[O]ur holding today does not mean that the First Amendment right of the public and representatives of the press are absolute. Just as a government may impose reasonable time, place, and manner restrictions upon the use of its streets in the interest of such objectives as the free flow of traffic, . . . so may a trial judge, in the interest of the fair administration of justice, impose reasonable limitations on access to a trial.

Id. n.18.

In its historical analyses and constitutional exegesis, the Court in its several opinions wrote sensitively of the important societal values served by open criminal proceedings: further assurance of fairness to the accused,⁸ a community cathartic effect, a prophylactic benefit for the system of administration of justice,⁹ among others. It is argued that these sentiments, when applied to the situation before us, resuscitate the misreading of *Cox Broadcasting* (rejected by the Court in *Warner Communications*) that animates the broadcasters' constitutional claim here. As should be apparent in our restatement of that position, we decline to find the Supreme Court to have ratified that misreading. On the basis of comments general in nature and addressed to a different problem, the Supreme Court will not here be presumed to have abandoned an only recently stated principle.

[6] Our reading of *Richmond Newspapers* convinces us that the holding of *Warner Communications* that the press enjoys no constitutional right of physical access to courtroom exhibits remains undisturbed. Despite a gentle suggestion perhaps to the contrary,¹⁰ we are left with the principle

⁷To the same effect, see *id.* at 2831 (Stevens, J., concurring):

I agree that the first amendment protects the public and the press from abridgement of their rights of access to information about the operation of their government, including the judicial branch; given the total absence of any record justification for the closure order entered in this case, that order violated the first amendment.

⁸"Open trials play a fundamental role in furthering the efforts of our judicial system to assure the criminal defendant a fair and accurate adjudication of guilt or innocence." *Id.* at 2837 (Brennan, J., concurring in judgment.)

⁹"The crucial prophylactic aspects of the administration of justice cannot function in the dark; no community catharsis can occur if justice is 'done in a corner [or] in any covert manner.' " *Id.* at 2824-25 (citation omitted.)

¹⁰A conceptually separate, yet related, question is whether the media should enjoy greater access rights than the general public. But no such contention is at stake here. Since the media's right of access is at least equal to that of the general public, this case is resolved by a decision that the state unconstitutionally restricts access to trial.

100 S.Ct. at 2832 n.2 (citations omitted) (Brennan, J., concurring in judgment).

iterated by Justice Powell in *Warner Communications* that “[t]he first amendment generally grants the press no right to information about a trial superior to that of the general public,” 435 U.S. at 609, 98 S.Ct. at 1318, and the conclusion there reached that the Constitution grants neither press nor public the right to physical access to courtroom exhibits.¹¹ Though four justices dissented from the opinion of the Court in *Warner Communications*, no voice was raised against this particular constitutional conclusion. Nothing in *Richmond Newspapers* stands to the contrary.¹²

[7] Appellant KDFW raises an additional constitutional ground for access to the tapes, one allegedly found in the petition clause¹³ of the first amendment:

The public (and the press’ rights are coextensive with that of the public) cannot adequately petition the federal government with respect to the alleged improprieties in establishment or maintenance of the “Brilab” investigation, nor can they effectively petition government with respect to the qualifications of Speaker Clayton without access to these tapes.

Appellant points to no authority suggesting that any treatment extended press or public in the court below has affected the right to petition for redress of grievances. The cited case, chiefly on inmates’ right of access to legal materials, are inapposite. Appellant’s position is simply its “freedom of the press” argument cast in a slightly different mold. There is no doubt that, to whatever extent, if any, the petition clause would enter in here, its values are fully served by the opportunity allowed press and public alike to view the proceedings and the provision of transcripts of the tapes for republication or broadcast. The government is not required under the first amendment—through the petition clause or otherwise—to provide

¹¹“Respondents argue that release of the tapes is required by both the First Amendment guarantee of freedom of the press and the Sixth Amendment guarantee of a public trial. Neither supports respondents’ conclusion.” 435 U.S. at 608, 98 S.Ct. at 1317.

¹²Opinions in *Richmond Newspapers* recognized the special informative role played by the press in the maintenance of open criminal proceedings, but this status was acknowledged to be born of practical necessity rather than constitutional entitlement.

Instead of acquiring information about trials by first-hand observation or by word or mouth from those who attended, people now acquire it chiefly through the print and electronic media. In a sense, this validates the media claim of functioning as surrogates for the public. While media representatives enjoy the same right of access as the public, they often are provided special seating and priority of entry so that they may report what people in attendance have seen and heard.

100 S.Ct at 2825. “As a practical matter, however, the institutional press is the likely, and fitting, chief beneficiary of the right of access because it serves as the ‘agent’ of interested citizens, and funnels information about trials to a large number of individuals.” *Id.* at 2832–33 n.2 (Brennan, J., concurring in judgment).

¹³“Congress shall make no law . . . abridging . . . the right of the people . . . to petition the government for a redress of grievances.” U.S. Const. amendment 1.

representatives of the news media with the tapes for copying and rebroadcasting.

III. *The Common Law Right of Access.*

[8] There is a right of access to these courtroom exhibits derived not from the Constitution; a common law right of access "that predates the Constitution itself." *United States v. Mitchell*, 551 F.2d 1252, 1260 (D.C.Cir. 1976), *rev'd sub nom. Nixon v. Warner Communications*, 435 U.S. 589, 98 S.Ct. 1306, 55 L.Ed.2d 570 (1978). As with the constitutional claim, the Court's opinion in *Warner Communications* provides the measure by which we review the trial court decision on the right of physical access to these tapes. "It is clear that the courts of this country recognize a general right to inspect and copy public records and documents, including judicial records and documents." 435 U.S. at 597, 98 S.Ct. at 1312. While the question was not certainly answered by the Court's opinion in *Warner Communications*,¹⁴ we assume for purposes of this discussion that the right of access extends beyond scroll and paper to tape recordings. Finding no need on the facts of the Watergate Tapes case "to delineate precisely the contours of the common-law right," *id.* at 599, 98 S.Ct. at 1313, the Court found it "uncontested" that the right to inspect and copy judicial records is not absolute. *Id.* at 598, 98 S.Ct. at 1312. The question becomes, then, under what circumstances access may be denied, and to whose judgment that decision is substantially committed. The Supreme Court's answer to the second question suggests the impossibility of definitively answering the first: "The few cases that have recognized such a right do agree that the decision as to access is one best left to the discretion of the trial court, a discretion to be exercised in light of the relevant facts and circumstances of the particular case." *Id.* at 599, 98 S.Ct. at 1312-13. The District of Columbia Circuit, whose decision was reversed in *Warner Communications*, acknowledged the same answers to the prefatory questions: "Because no clear rules can be articulated as to when judicial records should be closed to the public, the decision to do so necessarily rests within the sound discretion of the courts, subject to appellate review for abuse." *Mitchell*, 551 F.2d at 1260.

[9] Before turning to a review of the district judge's exercise of discretion in denying access, we consider briefly the appellant's suggestion that

¹⁴Petitioner also contends that the district court was totally without discretion to consider release of the tapes at all. He offers three principal arguments in support of that position: . . . (ii) recorded materials, as opposed to written documents, are not subject to release by the court in custody; . . . As we assume for the purposes of this case. . . that the common law right of access is applicable, we do not reach or intimate any view as to the merits of these various contentions by petitioner.

435 U.S. at 599 n.11, 98 S.Ct. at 1313.

review for abuse of discretion is not our sole function. The broadcasters argue that certain language in *Warner Communications*, quoted in the margin,¹⁵ indicates an unwillingness on the part of the Court to submit the question substantially to the discretion of the trial judge. While acknowledging the possible ambiguity of that language, we find the entirety of the majority opinion, as well as remarks in the dissents, not supportive of appellants' position. In discussing the existence of this right of access, Justice Powell in his majority opinion recognized as an initial matter that the cases were in agreement "that the decision as to access is one best left to the sound discretion of the trial court. . . ." 435 U.S. at 599, 98 S.Ct. at 1312. In examining the right of access in this particular case, the majority opinion decided that the Presidential Recordings and Materials Preservation Act concluded the issue against access. The Court found that in this instance Congress had withdrawn access to these tapes from any exercise of judicial discretion: the Act was "a *decisive element* in the proper exercise of discretion with respect to release of the tapes." *Id.* at 607, 98 S.Ct. at 1317 (emphasis added). The decision to allow access, however, in the general run of cases would remain in the sound discretion of the district court. While rejecting the majority's conclusion on the statute's determination of the question, Justice Marshall's dissent reflects an acceptance of the principle of limited review.¹⁶ Justice Stevens, viewing the actions of the lower courts and the history of the case differently from the majority,¹⁷ vigorously dissented from what he perceived as the majority's reversal of the court of appeals' affirmance of a district court decision to allow access to the tapes: "The question whether a trial judge has properly exercised his discretion in releasing copies of trial exhibits arises infre-

¹⁵"We need not decide how the balance would be struck if the case were resolved only on the basis of the facts and arguments reviewed above." 435 U.S. at 603, 98 S.Ct. at 1315. "At this point, we normally would be faced with the task of weighing the interests advanced by the parties in light of the public interest in the duty of the courts." *Id.* at 602, 98 S.Ct. at 1314.

¹⁶The Court "also recognizes that the court with custody of the records must have substantial discretion in making the decision regarding access." *Id.* at 613, 98 S.Ct. at 1320 (Marshall, J., dissenting).

¹⁷The somewhat confused characterization of what the Court was actually doing in this case stems from the bifurcated nature of the decision below on access: two district judges, in two orders, separately addressed the issue. At the time of the initial request, the judge presiding at the criminal trial (Judge Sirica) in which the tapes were introduced was quite occupied with that trial; the request was then favorably acted on by another judge (Judge Gesell) in that district to whom the matter had been transferred. Subsequent to his decision that access should be allowed, Judge Gesell transferred the matter back to Judge Sirica, now freed of duties in the recently concluded criminal trial. Judge Sirica decided that granting access to the tapes was inadvisable at the time, due largely to the possible interference with the rights of defendants in the event of retrial after appeal. Justices Marshall and Stevens indicate in their dissents that the trial judge whose discretion they were reviewing was Judge Gesell.

quently. It is essentially a question to be answered by reference to the circumstances of a particular case. Only an egregious abuse of discretion should merit reversal." *Id.* at 613-14, 98 S.Ct. at 1320. We take our lesson, then, as we must, from the Supreme Court and review the district court decision for abuse of discretion.¹⁸

[10] In denying the broadcasters' request for physical access to the Brilab tapes, the district judge did not abuse his discretion. The judge's concern was with the rights of a yet-to-be tried defendant; the provision to a defendant of a fair trial is a reasonable and necessary concern of the presiding judge. The substantially postponed trial of L. G. Moore, while the indictment remains outstanding, is not of a "hypothetical" nature.¹⁹ The broadcasters argue to this court that the trial judge exaggerated the risks to a fair trial posed by public broadcast of the tapes; as "evidence," they point to facts about what they perceived as a smooth and effortless empanelling of a jury in the criminal trial of the other defendants (two days; seven jurors stricken for cause). This argument fails for several related reasons.

The broadcasters' argument that the concern for defendant Moore's fair trial rights was exaggerated beyond proper proportion is addressed to an audience in perhaps the worst possible position to make that judgment: appellate courts are far removed in time and space from the events in the course of criminal trials. And while distance may allow us to escape the smoke and heat generated in those proceedings, our distance from the flame robs us as well of the light cast thereby.

¹⁸In rejecting the broadcasters' contention that our target on review is other than abuse of discretion, we acknowledge that a recent opinion from another circuit has found proper review under these circumstances to be more exacting than that here applied. The Third Circuit in *In re Application of National Broadcasting Co. (United States v. Criden)*, 648 F.2d 814 (3d Cir. 1981), after an extended analysis of the appropriate standard of review, substantially based on Rosenberg, *Judicial Discretion of the Trial Court, Viewed From Above*, 22 Syracuse L.Rev. 635 (1971), found that proper appellate review in these circumstances required appellate reconsideration of "the relevance and weight of the factors," slip op. at 10, considered by the trial judge. The court found that a decision on release of tapes "is not accorded the narrow review reserved for discretionary decisions based on first hand observations" of the trial judge. *Id.* We have considered this analysis by the Third Circuit but are unable to follow it beyond its foundation — that the decision to grant or deny access to tapes during the course of a criminal prosecution is not based on "first hand observations" of the presiding trial judge. When the concern is the efficient administration of justice and the provision to defendants of fair trials, the consideration of competing values is one heavily reliant on the observations and insights of the presiding judge.

¹⁹"We thus adhere to our holding in *Mitchell* that the interest in avoiding the risk of potential prejudice at a *hypothetical* second trial is seldom of sufficient weight to justify denying access to judicial records which have been displayed in open court." *In re Application of National Broadcasting Co. (United States v. Jenrette)*, ____ F.2d ____ (D.C. Cir. Apr. 27, 1981) (emphasis in original).

[11] In urging reversal of the district court's determination that Moore's rights would be compromised by access to the tapes, the appellants would have us say that the trial court must have positive proof of the impossibility of assuring defendant a fair trial before access may be denied. A forecast of future difficulty is by definition uncertain, but equally uncertain is the rejection of that forecast. Speculative dismissal by an appellate court of a trial judge's admittedly uncertain but quite reasonable prognostication only compounds the problem. The informed and considered judgment of the trial judge should prevail in any choice between such equally speculative results. It is better to err, if err we must, on the side of generosity in the protection of a defendant's right to a fair trial before an impartial jury.

[12] Finally, in pointing to events surrounding the allegedly easy selection of a jury for the earlier trial as indicative of the unlikelihood that pretrial publicity would affect the rights of the untried defendant, the appellants disregard the effect that media access to and rebroadcast of the tapes could have. General pretrial publicity and any attendant prejudice to a defendant's rights before disclosure and rebroadcast of the tapes would not necessarily be the same as what may obtain in a second trial following public broadcast. That prior to broadcast of the tapes pretrial publicity had not unduly infringed the fair trial rights of particular defendants does not answer the inquiry presented to the district judge here.

[13] Appellants further argue that the trial judge abused his discretion in denying them access because a number of procedural devices were otherwise available to guarantee the defendant's fair trial rights: searching *voir dire* examination of potential jurors; empaneling of a larger body of veniremen; and change of venue, among others. Accepting this argument would require us to direct the trial judge in the practical management and operation of his courtroom, a course we are loath to take in any but the most extreme circumstances. We cannot assume trial court ignorance of these familiar devices, and we will not assume inattention to their availability. Second, on this inquiry we remain in a poor position from which to second guess the trial judge on the relative costs and benefits to the efficient administration of justice of such protective measures. Finally, the Supreme Court's preferences for such devices over the closure of the flow of information about criminal trials, expressed in cases like *Nebraska Free Press Association v. Stuart*, 427 U.S. 539, 96 S.Ct. 2791, 49 L.Ed.2d 401 (1975),²⁰ came in the context of government infringement of first amendment rights—in *Stuart*, for example, a gag order imposed by the state trial judge prohibiting publication of certain statements of the accused and of information strongly implicating him in the commission of

²⁰“We cannot say on this record that alternatives to a prior restraint on petitioners would not have sufficiently mitigated the adverse effects of pre-trial publicity so as to make prior restraint unnecessary.” *Id.* at 569, 96 S.Ct. at 2807.

the crimes. But as the Supreme Court has held and as we repeat, access to court records and exhibits for copying and rebroadcasting is not a matter of constitutional right. That the balance is heavily weighted in favor of protective measures other than absolute closure of the trial to press or public, or of prior restraints on publication of information, does not mean that the same balance prevails when less compelling rights are asserted by the press. As Justice Black observed in *Bridges v. California*, 314 U.S. 252, 260, 62 S.Ct. 190, 192, 86 L.Ed. 192 (1941), "free speech and fair trials are two of the most cherished policies of our civilization, and it would be a trying task to choose between them." That "issue . . . of the very greatest moment," *id.*, is not before us. The common law right of access certainly antedates the Constitution's free press guarantee, but it does not rise to that level of importance or merit the same degree of protection. The first amendment rights of the broadcasters, as noted above, were fully satisfied here. No restrictions on the ability of the news media to receive and transmit information were imposed. The district court was not at all required to balance "fair trial" with "free press" concerns. The "choice" was rather between an undeniably important but nonconstitutional right of physical access to courtroom exhibits and a defendant's due process right to a fair trial, "the linchpin of our criminal justice system." *In re Application of National Broadcasting Co. (United States v. Criden)*, 648 F.2d at 827. While the provision to media representatives of verbatim transcripts of the recordings and preferential seating at the trial, as afforded in the court below, certainly does not conclude the matter against a right to further access, it has been recognized by the Supreme Court as a factor properly to be considered in the grant or denial of physical access.²¹

[14] In reaching our conclusion that the district judge did not abuse his discretion in denying the appellants' request for access to the taped evidence, we have considered carefully, along with *Warner Communications*, the lodestar from the Supreme Court, three recent cases from other circuits deciding this same question of access in the context of another FBI question. *In re Application of National Broadcasting Co. (United States v. Myers)*, 635 F.2d 945 (2d Cir. 1980); *In re Application of National Broadcasting Co. (United States v. Criden)*, 648 F.2d 814 (3d Cir. 1981); and *In re Application of National Broadcasting Co. (United States v. Jenrette)*, ____ F.2d ____ (D.C.Cir. 1981).²² We have previously mentioned where

²¹ Petitioner further argues that this is not a "right of access" case, for the district court already has permitted considerable public access to the taped conversations through the trial itself and through publication of the printed transcripts. We need not decide whether such facts ever could be decisive. In view of our disposition of this case, the fact that substantial access already has been accorded the press and the public is simply one factor to be weighed.

435 U.S. at 599 n.11, 98 S.Ct. at 1313.

²² Subsequent references to these cases will be to the style of the underlying criminal case, rather than to the ubiquitous *In re Application of National Broadcasting Co.*

we part company with the Third Circuit in *United States v. Criden*, see note 18, *supra*, and will not here repeat those reservations. Our attention here is directed to the remaining cases, *Myers and Jenrette*, one of which (*Jenrette*) reviews for abuse of discretion²³ and finds it, the other of which (*Myers*), in affirming the decision of the district court to allow access, leaves as an open question whether abuse of discretion is the sole appellate inquiry.²⁴

Our fundamental difference with both these cases²⁵ lies in their holdings that “only the most compelling circumstances” should prevent access to these tapes²⁶ and that the party opposing access must demonstrate that “justice so requires,”²⁷ and the correlative finding that the potential risks to defendants’ fair trial rights in these circumstances could not prevail against the strong, indeed overwhelming, presumption in favor of access.²⁸ In our judgment, the opinion in *Nixon v. Warner Communications* offers no basis from which one can derive the overpowering presumption in favor of access discovered by the Second and District of Columbia Circuits. The Supreme Court there neither drafted explicit limits nor assigned

²³ Because of the difficulties inherent in formulating a broad yet clear rule to govern the variety of situations in which the right of access must be reconciled with legitimate countervailing public or private interests, the decision as to access is one which rests in the sound discretion of the trial court. Any denial or infringement of this “precious” and “fundamental” common law right remains subject to appellate review for abuse.

United States v. Jenrette, ____ F.2d at ____ (quoting *United States v. Mitchell*, 551 F.2d at 1260, 1261).

²⁴ *Warner Communications* does not clarify whether, in the absence of statute, the decision to release the tapes would have been left to the trial court, reviewable only for traditional abuse of discretion, or whether reviewing courts would themselves assess the competing interests. While the opinion refers to the need for the trial court to exercise an informed discretion, the court also says that in the absence of a statute “we” would be faced with the task of weighing the competing interests.

United States v. Myers, 635 F.2d at 950 n.3.

²⁵ In the third case, *United States v. Criden*, the Third Circuit in its de novo reweighing of the competing values, found the “strong common law presumption of access” to countervail the fair trial right of defendant, thought sufficiently defensible by less drastic measures than denial of access. If the courts’ approaches in *Myers* and *Jenrette* are misguided, as we suggested, then the *Criden* court shares that error.

²⁶ “When physical evidence is in a form that permits inspection and copying without any significant risk of impairing the integrity of the evidence or interfering with the orderly conduct of the trial, only the most compelling circumstances should prevent contemporaneous public access to it.” *United States v. Myers*, 635 F.2d at 952.

²⁷ [A]ccess may be denied only if the district court, after considering “the relevant facts and circumstances of the particular case,” and after “weighing the interests advanced by the parties in light of the public interest and the duty of the courts, concludes that “justice so requires.”

United States v. Jenrette, ____ F.2d at ____ (citations omitted).

²⁸ “We disagree . . . that the likelihood of such enhanced awareness of the tapes poses the kind of risk to fair trials for Abscam defendants that justifies curtailing the public’s right of access to courtroom evidence.” 635 F.2d at 953.

specific weight to this common law right of access. The Court, rather, acknowledged “the presumption—however gauged—in favor of public access to judicial records,” as *one* of the interests to be weighed on the broadcasters’ “side of the scales.” 435 U.S. at 602, 98 S.Ct. at 1314. It did not find the simple existence of the right conclusive. In elaborating on its observation that this right of access is not absolute, the Court noted several circumstances in which “the common-law right of inspection has bowed before the power of the court to insure that its records” are not used as “vehicle[s] for improper purposes.”²⁹ The Second Circuit acknowledged the Supreme Court’s recitation of these circumstances but devalued their significance with the observation that those past circumstances had warranted preventing all public scrutiny of the materials and not the simple copying and rebroadcasting of items already revealed in open court. 635 F.2d at 905. Pretermittting any argument with the logic of that position, we are convinced, by reference to one of the listed circumstances in the Supreme Court’s discussion of the competing interests in *Warner Communications*, that these circumstances, among others, were thought appropriate considerations in deciding requests for access to courtroom exhibits.³⁰

That the broadcasters seek the tapes for appropriate, and not for “improper,” purposes does not diminish the importance of the Court’s discussion to our analysis. That good reasons may exist for a trial court, in the exercise of its “supervisory power over its own records and files,” 435 U.S. at 598, 98 S.Ct. at 1312, to deny requested access to courtroom exhibits is our focus. The Supreme Court has not directed lower courts to measure requests for access to evidence only against the “most compelling circumstances.” Rather, we read the Court’s pronouncements as recognizing that a number of factors may militate against public access. In erecting such stout barriers against those opposing access and in limiting the exercise of the trial court’s discretion, our fellow circuits have created standards more appropriate for protection of constitutional than of common

²⁹ For example, the common-law right of inspection has bowed before the power of the court to insure that its records are not “used to gratify private spite or promote public scandal” through the publication of “the painful and sometimes disgusting details of a divorce case.” . . . [C]ourts have refused to permit their files to serve as reservoirs of libelous statements for press consumption . . . or as sources of business information that might harm a litigant’s competitive standing . . .

Id. at 598, 98 S.Ct. at 1312.

³⁰ The court—as custodian of tapes obtained by subpoena over the opposition of a sitting President, solely to satisfy “fundamental demands of justice” . . . has a responsibility to exercise an informed discretion as to release of the tapes, with a sensitive appreciation of the circumstances that led to their production. This responsibility does not permit copying upon demand. Otherwise, there would exist a danger that the court could become a partner in the use of the subpoenaed material “to gratify private spite or promote public scandal,” . . . with no corresponding assurance of public benefit.

435 U.S. at 603, 98 S.Ct. at 1314–15 (citations omitted).

law rights. With all due respect, we find such standards to be misreadings of the Supreme Court's directives, and we decline to apply them here. In his decision to deny the broadcasters' request for access to the audiotapes, the district court did not abuse its discretion. The judgments below are **AFFIRMED**.

BPI SYSTEMS, INC., BPI Services, Inc., Plaintiffs, v. William A. LEITH, Transamerican Business System, Inc., and Tabs, Inc., Defendants

No. A-81-CA-46

*(United States District Court, W. D. Texas, San Antonio Division—
July 9, 1981)*

532 F.Supp. 208

Proceeding was instituted on application of plaintiff for preliminary injunction in action to enjoin defendant from infringing alleged copyrighted materials. The District Court, Garcia, J., held that: (1) preliminary injunctive relief would not issue as to defendant's computer software programs which allegedly contained plaintiff's copyrighted material, where likelihood that plaintiff would establish that work being performed for it by defendant was "work made for hire" within Copyright Act was not likely because work, though specially ordered and commissioned, was work as to which there was no written agreement and, though plaintiff supplied defendant with certain internal, confidential documents which were not available to public, plaintiff had no right to control manner of work performed by defendant, and (2) preliminary injunctive relief would issue as to defendant's use of any other copyrighted programs of plaintiff or as to the keyboard, I/O, or stop/go/quit routines developed by plaintiffs for its copyrighted computer software where there was substantial threat of irreparable injury since the defendant would, if not enjoined, use plaintiff's copyrighted material for his own profit and furtherance of his reputation, misleading public as to authorship and sponsorship.

Application granted in part and denied in part.

1. Injunction

Preliminary injunctive relief requires the applicant to prove a substantial likelihood of success on the merits, a substantial threat of irreparable injury if the injunction is not granted, that the threatened injury outweighs the threatened harm the injunction may do to the opposing party, and that granting the injunction will not disserve the public interest.

2. Copyrights and Intellectual Property

Preliminary injunctive relief would not issue as to defendant's computer software programs which allegedly contained plaintiff's copyrighted material, where likelihood that plain-

tiff would establish that work being performed for it by defendant was "work made for hire" within Copyright Act was not likely because work, though specially ordered and commissioned, was work as to which there was no written agreement and, though plaintiff supplied defendant with certain internal, confidential documents which were not available to public, plaintiff had no right to control manner of work performed by defendant. 17 U.S.C.A. § 101.

See publication Words and Phrases for other judicial constructions and definitions.

3. Copyrights and Intellectual Property

Preliminary injunctive relief would issue as to defendant's use of any other copyrighted programs of plaintiff or as to the keyboard, I/O, or stop/go/quit routines developed by plaintiff for its copyrighted computer software, where there was substantial threat of irreparable injury since the defendant would, if not enjoined, use plaintiff's copyrighted material for his own profit and furtherance of his reputation, misleading public as to authorship and sponsorship, injunction would not disserve the public interest, and threatened injury to plaintiff's profits and reputation outweighed threat of injury injunction would have on defendant. 17 U.S.C.A. § 101.

4. Torts

Remedy with respect to alleged wrongful appropriation by defendant of plaintiff's trade secrets was not preempted by the Copyright Act since the material allegedly improperly used was not copyrighted and the information qualified as a trade secret under Section 757 of the Restatement of Torts because it was disclosed to defendant in confidence and gave him an advantage over those without the information. 17 U.S.C.A. § 101.

Paul J. Van Osselaer, Clark, Thomas, Winters & Shapiro, Austin, Tex., for plaintiffs.

Ray Fisher, Fisher, Ashby & Morris, Austin, Tex., for defendants.

MEMORANDUM OPINION FOR ORDER GRANTING PRELIMINARY INJUNCTION

GARCIA, *District Judge*. [1] At issue before the Court is Plaintiff's application for a preliminary injunction to enjoin Defendant from infringing Plaintiff's copyright in certain computer programs, from using certain alleged trade secrets acquired from Plaintiff by Defendant and from passing off Defendant's products as being those of Plaintiff. To obtain a preliminary injunction, the applicant must prove: (1) a substantial likelihood of success on the merits; (2) a substantial threat of irreparable injury if the injunction is not granted; (3) that the threatened injury outweighs the threatened harm the injunction may do to the opposing party; and (4) that granting the injunction will not disserve the public interest. *Harris v. Willers*, 596 F.2d 678 (5th Cir. 1979). With these prerequisites in mind; the Court is of the opinion the preliminary injunction should be, for the most part, GRANTED.

The evidence established that Plaintiff develops and publishes computer software for small computers. The Commodore Computer Company requested that Plaintiff produce for it an accounts receivable system which Plaintiff agreed to do. The entire system and its programs are copyrighted,

which copyright is registered with the copyright office. Defendant was hired by Plaintiff to produce twelve programs. This work was performed at Defendant's place of business on his own computers. He was paid per program and no social security or income tax was deducted from his pay. Although Plaintiff could accept or reject the final product, it had no right to control the manner of the work performed by Defendant. To aid him in the project, Plaintiff supplied him with certain internal, confidential documents which were not available to the public. Subsequently, Defendant produced his own computer software programs which allegedly contain the Plaintiff's copyrighted material. Randy Ferguson testified that, other than a few changes, Plaintiff's Commodore system and Defendant's account receivable system were almost identical. The Defendant's system even contained Plaintiff's name. Defendant also incorporated into his other systems several routines (e.g. keyboard routine, I/O routine, stop/go/quit routine) which were developed and copyrighted by Plaintiff and were part of its copyrighted program. No permission was given to Defendant to use these routines. Also without permission, Defendant used the internal, secret documents of Plaintiff in the preparation of his own system. The user's manuals for Defendant's systems also contain Plaintiff's name. Several pages of Defendant's manuals are identical to pages in Plaintiff's. The Defendant testified that he knew the work he was doing was for Plaintiff's system, and was not a joint venture.

[2, 3] The requirement that Plaintiff establish likelihood of success on the merits leads to a determination of whether the work performed by Defendant for Plaintiff was "work made for hire." After reviewing Section 101 of the revised Copyright Act, the Court is of the opinion that it was not. Defendant was not an employee of Plaintiff acting within the scope of his employment. The work he did was specially ordered and commissioned but there was no written agreement that the work was "work made for hire." Since the Court is unconvinced of a substantial likelihood of Plaintiff's success on the merits as to these twelve programs, Defendant will not be enjoined as to these. As to his use of any other copyrighted programs of Plaintiff or as to the keyboard, I/O, or stop/go/quit routines, developed by Plaintiff for Plaintiff's programs, including the twelve made by Defendant, the injunction will be granted. There is a substantial threat of irreparable injury since Defendant will, if not enjoined, use Plaintiff's copyrighted material for his own profit and the furtherance of his reputation, misleading the public as to the authorship and sponsorship. The injunction will, thus, not disserve the public interest. The threatened injury to Plaintiff's profits and reputation outweigh the threatened harm the injunction will have on Defendant. The Defendant will not be barred from producing and selling any software system but only, those which incorporate Plaintiff's copyrighted material referred to above.

[4] Concerning the allegation that Defendant wrongfully appropriated trade secrets, the Court is of the opinion that Plaintiff's remedy therefor is

not preempted by the Copyright Act since the material allegedly improperly used was not copyrighted. The information (Exhibit 6) qualifies as a trade secret as that term is defined by the Restatement of Torts Section 757 and *Hyde Corp. v. Huffines*, 158 Tex. 566, 314 S.W.2d 763 (1958).

The information was disclosed to Defendant in confidence and gave him an advantage over those without the information. Pending the trial of this cause, Defendant will be restrained from using any of the information in Exhibit 6.

Since Plaintiff has objected to Defendant's use of its name and has established by the deposition of John Lay that a confusion as to the sponsorship of the product exists, Defendant will be further enjoined from using Plaintiff's name in any way in the distribution of his own systems. Although Defendant has agreed to do this, the injunction will issue to assure the misrepresentation will not reoccur. Further the confusion caused by the strong similarity in screen display must also be corrected, especially in light of the other similarities in the systems.

Solomon Kekipi **BRIGHT**, a/k/a Sol Kekipi Bright, and Sol K. Bright Enterprises, Inc., Plaintiffs-Appellants v. **AMERICAN SOCIETY OF COMPOSERS, AUTHORS & PUBLISHERS**, a/k/a ASCAP, a/k/a "THE SOCIETY," Defendant-Appellee

No. 7616

(Intermediate Court of Appeals of Hawaii—September 30, 1981)

634 P.2d 427. 2 Hawaii App. 471

Member of association of composers brought action against the association claiming that its methods of determining monies to be distributed to its members was unfair to those members in Hawaii. The First Circuit Court, Honolulu County, Arthur S.K. Fong, J., granted summary judgment in favor of the defendant, and plaintiff appealed. The Intermediate Court of Appeals, Padgett, J., held that genuine issue of material fact as to whether plaintiff had exhausted his remedies within the association before bringing the action precluded summary judgment.

Reversed and remanded.

1. Judgment

In action brought by member of composer association against the association alleging that the association's methods of determining monies to be distributed to its members was unfair to those members in Hawaii, genuine issue of material fact as to whether plaintiff had ex-

hausted his remedies within the association before bringing the action precluded summary judgment for the association. Rules of Civil Procedure, Rule 12(b).

2. Administrative Law and Procedure

If an organization refuses to hold a hearing or fails to do so within a reasonable time after a proper demand is made upon it, it cannot thereafter accuse its member of failing to exhaust administrative remedies.

Syllabus by the Court

1. Where the documents properly before the court and the affidavits show the existence of a genuine issue of material fact as to whether appellant had exhausted the administrative remedy given to him by appellee's articles of association, summary judgment was improperly granted.

2. Where an appellant was a member of an association and there were genuine issues of material fact as to whether he had abandoned a request for review of an alleged discriminatory practice or whether appellee had failed to give him a hearing, summary judgment was improperly granted.

3. It was improper to grant summary judgment where the articles of association provided that an aggrieved member "may" appeal to the board of review and there was an insufficient record upon which to determine whether "may" was directory or mandatory in the circumstances.

Joseph A. Ryan, Honolulu (Ryan & Ryan, Honolulu, of counsel), for plaintiffs-appellants.

John R. Lacy, Honolulu (Goodsill, Anderson & Quinn, Honolulu, of counsel), for defendant-appellee.

Before HAYASHI, C.J., and PADGETT and BURNS, JJ.

PADGETT, *Judge*. Appellants filed a multi-count lawsuit in the court below against the American Society of Composers, Authors & Publishers, also known as ASCAP. The court below granted summary judgment in favor of Appellee ASCAP on the ground that appellants had not exhausted their remedies for the relief they sought within the ASCAP organization. On the record before us, there appear to be substantial issues of fact with respect to whether they had exhausted their remedies or were required to exhaust their remedies. Accordingly we reverse the judgment below.

The motion filed by appellee below was entitled "A Motion to Dismiss". However, it was accompanied by lengthy affidavit with attached exhibits and according to the memorandum filed in support of the motion, the court below was referred to the affidavit "for facts showing that the complaint should be dismissed for failure to exhaust administrative remedies". Thus, under the provisions of Rule 12(b), Hawaii Rules of Civil Procedure (HRCPP), the motion was really one for summary judgment. *Baldeviso v. Thompson*, 54 Haw. 125, 504 P.2d 1217 (1972).

The affidavit of Bernard Korman filed with the motion is replete with hearsay statements, opinions of fact, opinions of law, arguments and

other assertions which, were he a witness on the stand at trial, he would not be able to give over objection. Thus, the affidavit clearly does not conform to Rule 56(e), HRCF. Moreover, it is not clear from the affidavit whether the affiant is swearing to the authenticity and correctness of the copies of the documents attached by him as exhibits to his affidavit. However, at a later stage in the proceedings and before the decision below, answers to interrogatories were filed under oath by Mr. Korman, attaching copies of the relevant documents under Rule 56(e). The answers to the interrogatories and the documents attached thereto may be considered by us. Thus, we do not need to pick our way through Mr. Korman's affidavit to separate the wheat from the chaff.

From the documents attached to the answers to interrogatories, it appears that the Articles of Association of ASCAP in Article XIV, Section 6B provide:

Any member, aggrieved by the distribution of the Society's revenues to such member, or by any rule or regulation of the Society directly affecting the distribution of the Society's revenues to such member, may give notice to that effect in writing to the Secretary of the Society, stating that he proposes to protest to the Board of Review and setting forth the grounds for his complaint.

Early in 1973, the Hawaiian Professional Songwriters Society addressed to the Board of Review a claim that the Society's methods of determining monies to be distributed to its members was unfair to those members in Hawaii for the reasons therein set forth.

The letter ended with the statement:

We hereby petition ASCAP to remedy this injustice by formulating a plan to compensate our writers so they share equally in the Society's income based on their contributions.

Our sincere Aloha,
[signed by Tony Todaro]
Submitted by:
Tony Todaro, Chairman
in behalf of the ASCAP
members whose signatures
appear on attached pages.

Plaintiff was one of those signatories. The Board of Review replied, stating:

When those concerned have had an opportunity to answer and reply, a hearing will be scheduled before the Board.

Thus, the Board apparently deemed the letter a sufficient compliance with Section 6B. What followed was correspondence by one Paul S. Adler, distribution manager, which dragged out over a long period and eventual-

ly apparently petered out. The Board of Review was not again heard from and the promised hearing was never set or held.

[1] Against this factual background, the affidavit assertions of Mr. Korman on the one hand that appellant had not exhausted his remedies within the Society before bringing this action and the assertions on the other hand by appellant in his affidavit that he had exhausted those remedies, clearly raise a genuine issue of material fact.

[2] As the Supreme Court of Hawaii stated in *Martinez v. Parado*, 35 Haw. 149 (1939) at 153:

"It is well settled that the constitution rules and by-laws of an unincorporated association if they are not immoral, contrary to public policy or the law of the land, or unreasonable, constitute a contract between the members which the courts will enforce. . . . Moreover, even though the rules themselves may be unobjectionable, the acts of members of an association in enforcing the rules of the organization may be unreasonable, oppressive, and wrongful and call for judicial interference."

Appellants are asserting that they asked for a hearing, were told they would have one and never got one. They assert that they could not appeal from the Board of Review because the Board of Review had made no determination and that the Board of Review had made no determination because it never held a hearing. The affidavit of Mr. Bright combined with the facts in the record make the correctness or incorrectness of these assertions genuine issues of material fact. We think it goes without saying, that as a matter of law, if an organization refuses to hold a hearing or fails to do so within a reasonable time after a proper demand is made upon it, it cannot thereafter accuse its member of failing to exhaust his administrative remedies. Thus, in 6 Am.Jur.2d, Associations and Clubs § 29 (1963), it is stated:

It is competent for an association and its members to agree that questions between them and the order shall be referred to, and settled by, tribunals established within the order; its constitution or bylaws may provide that a member shall not appeal to the courts to redress alleged wrongs without first appealing to the tribunals of the association, in which case the member must exhaust all the remedies so provided before he may resort to the courts, unless these provisions are unreasonable, or the proceedings are not conducted in accordance with the rules, but contrary to law and justice, or a resort to the internal remedies would be a vain and useless undertaking, would be meaningless, would subject the complainant to unreasonable delay or hardship, or would certainly result in a practical denial of justice.

We note that in *American Society of Composers, etc. v. Superior Court*, 24 Cal. Rptr. 772, 207 Cal.App.2d 675 (1962), the California court refused to grant a writ of prohibition and upheld the refusal of summary judgment on a claim of exhaustion of administrative remedies by appellee where there was a genuine issue of fact as to whether the remedies had or had not been exhausted. For some unknown reason that case, involving analogous

facts and a similar legal issue, was not cited to us by either party in the briefs or at oral argument.

We note that the language of 6B provides that the member may petition the Board of Review. There is authority for the proposition that where property rights are involved, and that would seem to be the case here, that, absent an express agreement to exhaust the remedies provided within the association, resort to the courts may be had without first pursuing remedies within the association. 6 Am.Jur.2d, Associations and Clubs § 29 (1963). *Nissen v. International Brotherhood of Teamsters*, 229 Iowa 1028, 495 N.W. 858, 141 A.L.R. 598 (1941).

In *Winslow v. State*, 2 Haw.App.50, 625 P.2d 1046 (1981), we held that there was a failure to exhaust administrative remedies which barred resort to the courts against the State where the labor contract provided a series of steps to be followed in processing a grievance and the appellant followed three of five and then abandoned the grievance procedure. However, in that case, the agreement provided with respect to the first step "The grievance shall be presented to the Superintendent . . ." (Underscoring supplied.) We are aware of cases construing "may" to mean "shall" and vice versa, based upon the context in which the words are used and the surrounding circumstances. We do not see that there is enough in the record in this case to permit a judgment on that matter at this point.

Appellee's counsel in the court below and on oral argument here took the position that "the entire royalty collection and distribution system is under the jurisdiction of the Southern District of New York." (Tr. June 27, 1979 hearing, p. 4, lines 3-5.) One of the complaints articulated at oral argument by appellants' counsel was that the method of measuring compensation depended upon surveys as to the number of times musical compositions were played on radio and television stations but that the ASCAP system of survey eliminated those local radio stations which specialized in Hawaiian music, thus, in effect, discriminating against Hawaiian composers and unfairly reducing appellants' compensation.

Appellee's counsel's position seems to be that because the method of survey was determined by an independent organization which was subject to the orders of the United States District Court in New York and not to ASCAP's requests, that what appellant had to do was to convince ASCAP that there was a discrimination and then ASCAP would have to apply to the court for a change. On remand, we would suggest that the court below require the parties to provide it with enlightenment on this subject and give careful consideration to whether appellants' claim in this regard is true and if so, whether there is any power on the part of appellee to do anything to correct the situation and if not, whether the Hawaiian courts have any power to deal with such a situation.

There being genuine issues of material fact, summary judgment was improperly granted. The judgment below is REVERSED and the case is REMANDED for further proceedings.

Christie **BRINKLEY**, Plaintiff-Appellant, v. John **CASABLANCAS**, et al., Defendants-Respondents

*(New York Supreme Court, Appellate Division, First Department—
May 12, 1981)*

438 N.Y.S.2d 1004. 80 A.D.2d 428. 212 USPQ 783

Fashion model brought suit against distributor, retail buyers, modeling agency and its president for the sale of posters of the model without her written consent. The Supreme Court, New York County, Sutton, J., granted defendants' motion to dismiss with respect to model's right of privacy claims, and she appealed. The Supreme Court, Appellate Division, Sullivan, J., held that: (1) a public figure has a privacy interest under section of the Civil Rights Law prohibiting the use of a person's "name, portrait, or picture" for the purpose of trade without written consent, and is entitled to a remedy of monetary redress for the violation of that right; (2) sale by distributor of model's posters without her written consent constituted a violation of that section of the Civil Rights Law, and she was therefore entitled to compensatory and exemplary damages as against distributor, and to a permanent injunction prohibiting further sale of the poster; and (3) model could not recover damages from retail buyers who purchased the posters without knowledge that model had not consented to the distribution.

Ordered accordingly.

Kupferman, J., concurred and filed opinion.

1. Torts

Although the right of privacy of those who, voluntarily or otherwise, have become public figures and in whose activities a legitimate public interest exists is significantly curtailed, they retain the independent right to have their personalities, even if newsworthy, free from commercial exploitation at the hands of another.

2. Torts

Where photograph of fashion model used to create poster was not taken from a television broadcast in which the model had appeared, but was a different photograph, the photograph had not previously been publicly broadcast, and therefore the model had not waived her right to privacy so as to entitle distributor of the posters to sell them without model's written approval, in violation of section of the Civil Rights Law prohibiting the use of a person's name, portrait or picture for advertising purposes or for purposes of trade without such consent. Civil Rights Law § 51.

3. Torts

Under two sections of the Civil Rights Law, written consent is required before a person's name or photograph may be used for trade or advertising; oral consent is not a defense and is relevant only on the question of damages. Civil Rights Law §§ 50, 51.

4. Torts

Fact that fashion model may have previously given her written consent to the use of her photographs for the purposes of trade did not constitute implied authorization for the use of a subsequent photograph in a poster sold by distributor without model's consent as required under section of the Civil Rights Law. Civil Rights Law § 51.

5. Torts

A public figure has a privacy interest under section of the Civil Rights Law and may recover for the commercial use of his or her name or photograph without the person's written

consent for such use, irrespective of whether a separate and distinct common-law right of publicity exists. Civil Rights Law §§ 50, 51.

6. Pretrial Procedure

A pleading will not be dismissed for insufficiency merely because it is inartistically drawn; rather, such pleading is deemed to allege whatever can be implied from its statements by fair and reasonable intentment; the question is whether the requisite allegations of any valid cause of action cognizable by the state courts can be fairly gathered from all the averments.

7. Torts

Even if complaint in suit by fashion model against distributor, retail buyers, modeling agency and its president for sale of poster of the model without her consent constituted a cause of action for violation of her right of publicity rather than an invasion of her right to privacy under section of the Civil Rights Law, as alleged in the complaint, defendants were not entitled to dismissal, as the complaint could fairly and reasonably be interpreted as pleading a right of publicity claim. Civil Rights Law § 51.

8. Torts

In suit by fashion model against distributor, retail buyers, modeling agency and its president for sale of poster of the model without her consent, fact that model's career was flourishing and that the poster portrayed her in a pose and manner of dress consistent with the public perception of her did not affect defendant's liability under section of the Civil Rights Law protecting model's right to privacy, only the amount of damages to be awarded. Civil Rights Law § 51.

9. Torts

Delivery of model's photograph, used in creation of a poster, from modeling agency to distributor was authorized by model's agreement to participate in a shooting from which a poster could result, and therefore was not a "use" of model's photograph for purposes of trade without her consent in violation of a section of the Civil Rights Law, merely because the distributor subsequently, without consent and in an apparent violation of agreement with modeling agency and its president, sold the poster. Civil Rights Law § 51.

10. Torts

Where retail buyer of a quantity of posters of fashion model had no knowledge that model had not consented to distribution of the posters, model could not recover from retail buyer under section of the Civil Rights Law prohibiting the use of a person's "name, portrait or picture" for the purpose of trade without written consent. Civil Rights Law § 51.

11. Torts

Where fashion model failed to show that retail buyer purchased posters of model with knowledge that she had not consented to their distribution, model could not recover from buyer under section of the Civil Rights Law prohibiting the use of a person's "name, portrait or picture" for the purpose of trade without written consent, despite fact that buyer defaulted in the suit. Civil Rights Law § 51.

A. Richard Golub, New York City, for plaintiff-appellant.

Melvin Simensky, New York City, of counsel (David M. Rubin, New York City, with him on brief; Gertsen, Scherer & Kaplowitz, New York City), for defendants-respondents Casablanças and Elite Model.

Ronald L. Nurnberg, New York City, of counsel (Kane, Kessler, Proujansky, Preiss & Nurnberg, P.C., New York City), for defendant-respondent Galaxy.

Norman L. Faber, New York City, of counsel (Hall, Dickler, Lawler, Kent & Howley, New York City), for defendant-respondent Spencer.

Before MURPHY, P. J., and KUPFERMAN, SULLIVAN, MARKEWICH and LYNCH, JJ.

SULLIVAN, *Justice*. Plaintiff, a highly successful fashion model, whose photograph has appeared on the covers of nationally known magazines such as Harper's Bazaar, Mademoiselle, Ladies Home Journal and Sports Illustrated, has brought this action to enjoin the unauthorized publication, distribution and sale of a poster bearing her photograph in violation of her right of privacy under section 51 of the Civil Rights Law and to recover damages for injuries sustained as a result of this unauthorized, commercial use of her photograph. Named as defendants are her former model agency, Elite Model Management Corp., its president, John Casablancas, the publisher and distributor of the poster, Galaxy Publishing Corp., and two retail stores, Spencer Gifts Retail Stores, Inc. and Oomi Enterprises, Inc.¹

In September 1979, Casablancas, in his personal capacity, entered into a licensing agreement with Galaxy for the production and worldwide distribution of a series of posters bearing the photographs of several top models, including plaintiff. Under the agreement Casablancas was obliged to furnish the models' photographs from which Galaxy would produce the posters. Galaxy's right to print, publish and vend the posters was conditioned upon Casablancas obtaining the consent of the models.

Plaintiff agreed to participate in the poster project and, after choosing the hair-stylist, makeup artist and bathing suit in which she posed, took part in a photographic session. While she was being photographed, a cable television production company filmed the session for use as part of a television special on the careers of America's foremost models. Eventually, the film of the photographic session was included in a program entitled "Beautiful Baby Beautiful", subsequently broadcast throughout the United States on three occasions in March 1980 by Home Box Office, a national cable television network. Plaintiff appeared in that broadcast in the same pose and bathing suit as in the subject poster. Additionally, a photograph of plaintiff, almost identical to the poster photograph, appeared with her consent in a print advertisement for the Home Box Office special.

In the two months following the photographic session plaintiff reviewed color transparencies and discussed the selection of the most suitable print for use in the poster production with Casablancas, members of his staff, and Michael Reinhardt, the photographer. She also reviewed poster proofs which Galaxy had developed from prints delivered by Casablancas.

¹Although served, Oomi has not appeared in this action.

The photograph which eventually appeared on the poster was selected by plaintiff and accepted by Casablancas, Reinhardt and Galaxy. After some final retouching of the photograph, undertaken at plaintiff's request, Galaxy proceeded to print the poster and began commercial distribution in March 1980. Spencer, a "mass merchandiser", purchased 432 copies of the poster, none of which have been sold, without knowledge of any dispute over its distribution. Oomi purchased 24 posters, of which an unspecified number have been resold. Both purchases were without the knowledge or consent of plaintiff, Casablancas or Elite, although Galaxy contends that some time prior to October 3, 1979, Casablancas had orally confirmed that he had plaintiff's consent to proceed with the project. All parties concede that plaintiff never signed the customary written release authorizing distribution of a model's photograph or likeness.

Upon learning of the unauthorized sale of the poster, Casablancas, after first making an unsuccessful effort to secure plaintiff's written consent, terminated his contract with Galaxy. Less than one month later plaintiff commenced this action, and simultaneously sought a preliminary injunction against any further distribution of the poster.

Alleging an unauthorized commercial exploitation of her name and picture by the production and sale of "pin-up" posters bearing her likeness, with consequent injury to her feelings and wrongful invasion of her right of publicity, plaintiff sought a permanent injunction, as well as compensatory and exemplary damages against all the defendants under section 51 of the Civil Rights Law; an accounting, based on an alleged breach of fiduciary duty, of all profits received by Casablancas and Elite from the sale and distribution of the poster; and compensatory and exemplary damages against Casablancas, Elite and Galaxy for conspiracy to defraud.

Defendants moved to dismiss the complaint for failure to state a cause of action.² In opposing plaintiff requested the court to treat the motions as motions for summary judgment (CPLR § 3211[c]), and to grant her partial summary judgment on the issue of liability on her right of privacy claims (CPLR § 3212[b]).³ Holding that section 51 of the Civil Rights Law was never intended to afford a cause of action for invasion of privacy to one who, with the legitimate expectation of sharing in the profits, willingly and knowingly participates in a project which will publicize her name and picture, Special Term granted defendants partial summary judgment and

²Defendants Casablancas and Elite moved only to dismiss the first and second causes of action asserting the right of privacy claims.

³During the pendency of these motions the application for a preliminary injunction was granted as to defendants Galaxy, Spencer and Oomi only. The grant of the preliminary injunction was conditioned upon the posting of an undertaking in the sum of \$25,000, a condition which, we are told, was never met. No appeal was taken from this order which determination plaintiff urges as the law of the case, a contention never made at Special Term. In any event, in the absence of an affirmance after appeal this order is not binding on this court. (*Burgundy Basin Inn V. Grand Prix*, 51 A.D.2d 140, 143, 379, N.Y.S.2d 873).

dismissed the right of privacy claims, from which determination this appeal is taken. Inasmuch, however, as only plaintiff has appealed, our concern is solely whether a triable issue of fact exists as to the right of privacy causes of action.

Until the enactment in 1903 of sections 50 and 51 of the Civil Rights Law (L.1903; ch. 132, §§ 1, 2), the right of privacy had not “as yet found an abiding place in [New York] jurisprudence.” (*Roberson v. Rochester Folding Box Co.*, 171 N.Y. 538, 64 N.E. 442). In *Roberson*, the Court of Appeals had found legally sufficient a complaint which sought injunctive relief and damages for injured feelings and mental distress due to the unauthorized distribution of lithographic prints of a young woman’s photograph to advertise flour. Noting the absence of any allegation that plaintiff was libeled by the publication for which, of course, the common law would have provided a remedy, the court suggested that the protection of the right of privacy was a matter for legislative enactment. Prompted by the holding in *Roberson*, the Legislature enacted sections 50 and 51 of the Civil Rights Laws at its next session. (See *Rhodes v. Sperry & Hutchinson Co.*, 193 N.Y. 233, 277, 85 N.E. 1097, *aff’d*. sub nom. *Sperry & Hutchinson Co. v. Rhodes*, 220 U.S. 502, 31 S.Ct. 490, 55 L.Ed. 561.) Section 50 provides a penal sanction while section 51 provides a cause of action for both injunctive relief and monetary redress when, without his or her written consent, a person’s “name, portrait or picture is used within this state for advertising purposes or for the purpose of trade.”⁴

[1] Since its purpose “is remedial and rooted in popular resentment at the refusal of the courts to grant recognition to the newly expounded right of an individual to be immune from commercial exploitation” (*Flores v. Mosler Safe Co.*, 7 N.Y.2d 276, 280–281, 196 N.Y.S.2d 975, 164 N.E.2d 853; see *Lahiri v. Daily Mirror*, 162 Misc. 776, 779, 295 N.Y.S. 382), section 51 of the Civil Rights Law has been liberally construed over the ensuing years. Where First Amendment guarantees are involved, however, its application has been restricted “to avoid any conflict with the free dissemination of thoughts, ideas, newsworthy events, and matters of public interest.” (*Spahn v. Julian Messner, Inc.*, 18 N.Y.2d 324, 274 N.Y.S.2d 877, 221 N.Ed.2d 543, vacated and remanded 387 U.S. 239, 87 S.Ct. 1706, 18 L.Ed.2d 744, *aff’d* on rearg. 21 N.Y.2d 124, 286 N.Y.S.2d 832, 233 N.E.2d 840) “[F]reedom of speech and the press under the First

⁴Insofar as is relevant Civil Rights Law § 51 provides:

Any person whose name, portrait or picture is used within this state for advertising purposes or for the purposes of trade without the written consent first obtained as above provided may maintain an equitable action in the supreme court of this state against the person, firm or corporation so using his name, portrait or picture, to prevent and restrain the use thereof; and may also sue and recover damages for any injuries sustained by reason of such use and if the defendant shall have knowingly used such person’s name, portrait or picture in such manner as is forbidden or declared to be unlawful by the last section, the jury, in its discretion, may award exemplary damages.

* * * * *

Amendment transcends the right to privacy.” (*Namath v. Sports Illustrated*, 80 Misc.2d 531, 535, 363 N.Y.S.2d 276, aff’d 48 A.D.2d 487, 371 N.Y.S.2d 10, aff’d 39 N.Y.2d 897, 386 N.Y.S.2d 397, 352 N.E.2d 584). Thus, the right of privacy of those who, voluntarily or otherwise, have become public figures and in whose activities a legitimate public interest exists, is significantly curtailed. (*Koussevitzky v. Allen, Towne & Health*, 188 Misc. 479, 68 N.Y.S.2d 779, aff’d. 272 App.Div. 759, 69 N.Y.S.2d 432.) “[O]nce a person has sought publicity he cannot at his whim withdraw the events of his life from public scrutiny.” (*Goelet v. Confidential, Inc.*, 5 A.D.2d 226, 171 N.Y. S.2d 223.)

A public figure does not, however, surrender all right to privacy. Although his privacy is necessarily limited by the newsworthiness of his activities, he retains the “independent right to have [his] personality, even if newsworthy, free from commercial exploitation at the hands of another.” (*Booth v. Curtis Publishing Co.*, 15 A.D.2d 343, 351, 223 N.Y.S.2d 737; see *Gautier v. Pro-Football*, 304 N.Y. 354, 359, 107 N.E.2d 485; *Binns v. Vitagraph Co.*, 210 N.Y. 51, 103 N.E. 1108.)

[2] In considering the specific issues presented we note at the outset that the sale of the poster was a use of plaintiff’s photograph for trade purposes. Defendants do not contend otherwise. Rather, they claim that by performing in the television broadcast “Beautiful, Baby, Beautiful”, plaintiff waived her right of privacy to any likeness and image extracted from that public performance. Thus, they argue that the distribution, even for trade purposes, of a poster bearing a photograph taken at a public performance cannot constitute a violation of section 51 of the Civil Rights Law since once the photograph was publicly broadcast with consent it was removed from the sphere of any right of privacy. In support of this argument defendants cite *Ann-Margret v. High Society Magazine, Inc.*, D.C., 498 F.Supp. 401. We find the cases factually distinguishable. In *Ann-Margret*, the plaintiff, a well-known movie star, appeared partially nude in a scene in a motion picture which she knew would be widely distributed. The defendant, publisher of a magazine called *High Society Celebrity Skin*, printed, among other photographs of the plaintiff, a picture of her taken from the movie showing her partially nude. The court held that a subsequent faithful reproduction of a scene from that public performance cannot constitute an invasion of privacy. Moreover, the court found that the willingness of the plaintiff, a widely acclaimed cinema star, to appear in a film partially unclad was a matter of great interest to the public and, as such, constituted a newsworthy event. Neither of these factors is present here. Defendants do not contend, nor could they, that plaintiff’s photograph or the manner in which it was designed to be used involved a subject of general interest so as to bring it within the public domain as a newsworthy matter. And while the offending publication concededly consists of a photograph taken during a public performance, it was not, as in

Ann-Margret, supra, a part of that performance, or even a segment or frame of the original filmed performance itself. Thus, a different photograph, one never before published, is involved. Noteworthy, also, is that the photograph used to advertise the Home Box Office television special is a different photograph from that used in the poster. We, therefore, reject the argument that the particular photograph appearing on the poster had been previously published.

Moreover, plaintiff never authorized distribution of the particular photograph or poster. While she undoubtedly permitted photographs of herself to be taken which might be used on a poster for commercial sale, she reserved the right, prior to their commercial exploitation, to reject or approve the use to which the photographs would be put. As already noted, a model's photograph is customarily used only after a written release has been obtained. The executed release not only authorized dissemination of the photograph but delineates the extent to which it may be used. Here, plaintiff never gave final approval to the poster nor did she give oral or written consent to its release.

[3] In any event, no claim is made that written consent was given. The law is settled that under sections 50 and 51 of the Civil Rights Law written consent is required before a person's name or photograph may be used for trade or advertising. (*Adrian v. Unterman*, 281 App.Div. 81, 88, 118 N.Y.S.2d 121, aff'd 306 N.Y. 771, 118 N.E.2d 477; *Roberts v. Conde Nast Pubs.*, 286 App.Div. 729, 146 N.Y.S.2d 493; *Hammond v. Crowell Pub. Co.*, 253 App.Div. 205, 1 N.Y.S.2d 728.) Oral consent is not a defense and is relevant only on the question of damages. "Neither oral consent nor estoppel is a complete defense; they are available only as partial defenses in mitigation of damages." (*Lomax v. New Broadcasting Co.*, 18 A.D.2d 229, 238 N.Y.S.2d 781.)

[4] Moreover, plaintiff's previous written consent to the use of other photographs of herself does not constitute implied authorization for the use of the photograph involved here. "That [plaintiff] may have voluntarily on occasion surrendered her privacy, for a price or gratuitously, does not forever forfeit for anyone's commercial profit so much of her privacy as she has not relinquished." (*Booth v. Curtis Publishing Co.*, 15 A.D.2d, *supra* at 352, 223 N.Y.S.2d 737, aff'd. 11 N.Y.2d 907, 228 N.Y.S.2d 468, 182 N.E.2d 812.) More recently, this court had occasion to consider specifically the contention that those who thrust themselves into the public arena forfeit their right of privacy, and again rejected the argument. (*Reilly v. Rapperswill*, 50 A.D.2d 342, 377 N.Y.S.2d 488.) (See, also, *Yousouppoff v. Columbia Broadcasting System*, 48 Misc.2d 700, 265 N.Y.S.2d 754.)

Irrespective of whether distribution of the poster was authorized or justified defendants insist that, although a right of privacy claim is alleged, plaintiff's overriding grievance is not that her feelings have been injured, but, rather, that she has "not been paid one cent for the unauthor-

ized use of [her] photograph while . . . the poster is selling at a phenomenal rate throughout the country.” They argue, therefore, that plaintiff’s actual claim is injury to her right of publicity, a cause of action which, proprietary in nature, has not been pleaded and is not within the ambit of Civil Rights Law § 51, which was enacted “to protect the sentiments, thoughts and feelings of an individual” (*Flores v. Mosler Safe Co.*, 7 N.Y.2d, *supra* at 280, 196 N.Y.S.2d 975, 164 N.E.2d 853). Thus, defendants attempt to draw a distinction between the statutory right of privacy recognized under sections 50 and 51 of the Civil Rights Law and the so-called common law right of publicity.

New York courts have never explicitly recognized a non-statutory right of publicity (cf. *Wojtowicz v. Delacorte Press*, 43 N.Y.2d 858, 403 N.Y.S.2d 218, 374 N.E.2d 129), although the United States Court of Appeals for the Second Circuit, in construing New York law, found that the so-called right of publicity did, in fact, exist independent of the statutory right of privacy (*Haelan Laboratories v. Topps Chewing Gum*, 2 Cir., 202 F.2d 866, 868, cert. den. 346 U.S. 816, 74 S.Ct. 26, 98 L.Ed. 343). In *Factors Etc., Inc. v. Pro Arts Inc.*, 2 Cir., 579 F.2d 215, cert. den. 440 U.S. 908, 599 S.Ct. 1215, 59 L.Ed.2d 455, the court noted that “[t]he distinguishing feature of [the right of publicity] is that it involves the use of plaintiff’s protected right for defendant’s direct commercial advantage.” (*Id.* at 220.) The court added that “[t]he nature of the remedy also separates the right of publicity” from other species of the right of privacy,⁵ in that a plaintiff asserting the right of privacy seeks “to minimize the intrusion or publication of the damaging matter. In contrast, the right of publicity plaintiff does not necessarily object to the commercial exploitation—as long as the exploitation is at his behest and he is receiving the profits.” Thus, the two causes of action are distinguished on the basis of the personal character of the right of privacy—the prevention of injury to feelings—and the proprietary nature of the right of publicity. The United States Supreme Court has stated that the State’s interest in the protection of the right of publicity “is closely analogous to the goals of the patent and copyright law, focusing on the right of the individual to reap the reward of his endeavors and having little to do with protecting feelings and reputation.” (*Zacchini v. Scripps-Howard Broadcasting Co.*, 433 U.S. 562, 573, 97 S.Ct. 2849, 2856, 53 L.Ed.2d 965.)

Since *Haelan*, *supra*, other courts, applying New York law, have found the right of publicity to be a valid transferable property right. (See, e.g., *Price v. Hal Roach Studios, Inc.*, 2 Cir., 400 F.Supp 836, 844; *Groucho*

⁵As listed by Prosser in his *Treatise on Torts* (4th Ed. 1971), the four kinds of interests protected under the umbrella of the right of privacy are intrusion upon the plaintiff’s physical solitude, public disclosure of private facts, false light in the public eye, and appropriation of plaintiff’s name or likeness for defendant’s benefit. (Pp. 804-814.) The fourth is obviously the so-called right of publicity.

Marx Productions, Inc. v. Playboy Enterprises, Inc., No. 77-1782 (S.D.N.Y. Dec. 30, 1977).⁶ In contrast New York Courts have found the statutory right of privacy to be neither descendible (see *Frosch v. Grosset & Dunlap, Inc.*, 75 A.D.2d 768, 427 N.Y.S.2d 828) nor assignable (see *Rosemont Enterprises, Inc. v. Random House, Inc.*, 58 Mis.2d 1,294 N.Y.S.2d 122, aff'd 32 A.D.2d 892, 301 N.Y.S.2d 948). (See, also, *Lombardo v. Doyle, Dane & Bernbach*, 58 A.D.2d 620, 621, 396 N.Y.S.2d 661.)

Although the state of the law in the right of privacy area "is still that of a haystack in a hurricane" (*Ettore v. Philco Television Broadcasting Corp.*, 3 Cir., 229 F.2d 481, 485, cert. den. 351 U.S. 926, 76 S.Ct. 783, 100 L.Ed. 1456), courts applying the law of other states have found the existence of a valuable, transferable property right in one's name, photograph and image. (*Cepeda v. Swift and Company*, 8 Cir., 415 F.2d 1205 [Mo.]; *Ettore v. Philco Television Broadcasting Corp.*, *supra*, at 487, 489-492, interpreting the law of Pennsylvania, Delaware, New Jersey and New York; but see, *Memphis Development Foundation v. Factors Etc., Inc.*, 6 Cir., 616 F.2d 956, cert. den. ____ U.S. ____, 101 S.Ct. 358, 66 L.Ed.2d 217; *Lugosi v. Universal Pictures*, 25 Cal.3d 813, 160 Cal.Rptr. 323, 603 P.2d 425.)

Other courts have recognized the proprietary nature of an individual's interest in his own identity, separate and distinct from his right not to have his feelings injured. (*Uhlaender v. Henricksen*, D.C., 316 F.Supp. 1277; *Sharman v. C. Schmidt & Sons, Inc.*, D.C., 216 F.Supp. 401, 407; *O'Brien v. Pabst Sales Co.*, 5 Cir., 124 F.2d 167, cert den. 315 U.S. 823, 62 S.Ct. 917, 86 L.Ed. 1220.)

In *U.S. Life Ins. Co. v. Hamilton, Tex.* Civ.App., 238 S.W.2d 289, a Texas case, the plaintiff sued for the unauthorized use of his signature and name in the promotion of defendant's business. Defendant, an insurance company, mailed a letter of solicitation over the signature of plaintiff, as manager, after he had terminated his employment. The court decided that the absence of recognition by Texas of a privacy right was of no moment since the plaintiff had not sued for an invasion of that right and "the use of an individual's signature for business purposes unquestionably constitutes the exercise of a valuable right of property in the broadest sense of that term." (*Id.* at 292).

In one of the early cases in this area, where the plaintiff complained that his picture had been used in an advertisement for watches, a Missouri court expressly recognized the valuable property right that an individual has in his own likeness, stating "if there is value in [one's likeness], sufficient to excite the cupidity of another, why is it not the property of him

⁶For a general discussion of the survivability of the right of publicity, see Sims, *Right of Publicity: Survivability Reconsidered*, 49 Fordham Law Review 453.

who gives it the value and from whom the value springs.” (*Munden v. Harris*, 153 Mo.App. 652, 659, 134 S.W. 1076.)

In *Edison v. Edison Polyform Mfg. Co.*, 73 N.J.Eq. 136, 67 A. 392, one of the earliest cases involving a suit by a public figure, Thomas A. Edison was found to have a property right in his name and likeness which could not be appropriated to advertise a patent medicine, even though the formula had been purchased from Edison. In *Pallas v. Crowley, Milner & Co.*, 322 Mich. 411, 415, 33 N.W.2d 911, the owner of a retail department store published in an advertisement the picture, which he had procured, of a showgirl who had allowed herself to be photographed for publicity purposes. Although the plaintiff sued for injury to her feelings, the court, in finding that her privacy had been invaded, cited with approval *Edison* and *Munden*, *supra*, for the proposition that a person has a property right in her image. In *Minton v. Smith*, 276 Ill.App. 128, which involved a claim of unfair competition, the court, citing *Edison*, *supra*, as the “leading case”, held that the plaintiff had a property right in her name which could not be appropriated by another in his business. (See, also, *Foster-Milburn Co. v. Chinn*, 134 Ky. 424, 120 S.W. 364; *Flake v. Greensboro News Co.*, 212 N.C. 780, 195 S.E. 55; Gordon, *Right of Property in Name, Likeness, Personality and History*, 55 Northwestern Law Review 553.)

Despite the absence of explicit recognition of a separate and distinct common law right of publicity, some New York courts have suggested that such a right might exist. In *Lombardo v. Doyle Dane & Bernbach*, 58 A.D.2d 620, 396 N.Y.S.2d 661, *supra*, the Second Department gave tacit recognition to the distinction between the common law right of publicity and the statutory right of privacy. In specifically rejecting the Civil Rights Law claim of plaintiff, a well-known band leader, because his name was never mentioned in the television commercial in which his style and type of performance was imitated, the court nevertheless held that “there is no question but that a celebrity has a legitimate proprietary interest in his public personality . . . which may be entitled to protection.” (*Id.* at 622, 396 N.Y.S.2d 661.) In *Frosch v. Grosset Dunlap, Inc.*, 75 A.D.2d 768, 427 N.Y.S.2d 828, *supra*, the estate of Marilyn Monroe, alleging violations of the rights of privacy and publicity, sued the author and publisher of a fictional biography of the decedent published after her death. In rejecting the right of privacy claim on the ground that the Civil Rights Law applied only to “any living person”,⁷ this court, instead of disposing of the right of publicity claim as part of the statutory claim, dismissed it on the separate and distinct ground that even if such a right existed, in view of the public interest in the decedent, the right of free expression would prevail.

Thus, any suggestion in these decisions of the existence of a right of publicity independent of the statutory right of privacy obviously arose

⁷Civil Rights Law § 50, which must be read with section 51, limits the statutory protection to “any living person.”

because sections 50 and 51 of the Civil Rights Law, due to their limited application, would not accommodate the privacy claim in the particular case. The circumstances were no different in *Haelan Laboratories, Inc. v. Topps Chewing Gum, Inc.*, 2 Cir., 202 F.2d 866, *supra* where the court was confronted with the issue of whether a contract signed by a ballplayer for the exclusive right to use his photograph in connection with sales of gum created a release of liability, in the absence of which an invasion of the ballplayer's right of privacy would have occurred under sections 50 and 51 of the Civil Rights Law, or an assignment of a property right which defendant's conduct invaded. Similarly, in *Factors Etc., Inc. v. Pro Arts, Inc.*, 2 Cir., 579 F.2d 215, *supra* the issue was whether a grant of the exclusive license to exploit commercially the name and likeness of Elvis Presley, executed two days after Presley's death, survived his death. In *Price v. Hal Roach Studios, Inc.*, D.C., 400 F.Supp. 836, *supra*, the court held that the deaths of the actors known as "Laurel and Hardy" did not extinguish the right of publicity held by the grantee of that right.

[5] Irrespective of whether a separate and distinct common law right of publicity exists in this state, we believe that the so-called right of publicity is subsumed in sections 50 and 51 of the Civil Rights Law to the extent that even a public figure has a privacy interest which finds recognition in the statute and for the violation of which a remedy of monetary redress is provided. We are fortified in that view by the Court of Appeals' holding in *Gautier v. Pro Football*, 304 N.Y. 354, 107 N.E.2d 485, *supra*. Gautier, a well-known trainer of animals, brought a right of privacy action pursuant to section 51 of the Civil Rights Law, alleging the unauthorized televising for advertising purposes of his half-time performance at a professional football game. Although concluding that his name or picture had not been used for advertising purposes during the telecast within the contemplation of the statute because plaintiff had not been connected with the commercial announcements by any type of reference, the court nevertheless impliedly recognized a publicity right when it specifically held:

While one who is a public figure or is presently newsworthy may be the proper subject of news and informative presentation, the privilege does not extend to commercialization of his personality through a form of treatment distinct from the dissemination of news or information. (*Id.* at 359, 107 N.E.2d 485.)

The confusion over whether the statutory right of privacy embraces the public figure's commercial interest in the exploitation of his personality is undoubtedly due, in part, to the statute's historical origins and the popular and ready usage of the term "privacy" in referring to the right which it encompasses. (See *Booth v. Curtis Publishing Co.*, 15 A.D.2d, *supra*, footnote at 351, 223 N.Y.S.2d 737.) But the statute does not distinguish between the private person for whom injured feelings may be the paramount concern and the public figure whose right of privacy is limited in any event

by public interest considerations, but whose economic interests are affected by the wrongful exploitation of his or her name or likeness. The wrong consists of only two elements: the commercial use of a person's name or photograph and the failure to procure the person's written consent for such use. The damages that flow from the confluence of these two events should be compensable whether the injury is to one's feelings or to his "property" interest. Both injuries are caused by the same wrong and should be redressed by the same cause of action.

When *Gautier, supra*, was before this court, we had occasion to note:

The statutory creation in this State of a limited right of privacy was intended for the protection of the personality of an individual against unlawful invasion. (Citations omitted.) It provided primarily a recovery for injury to the person, not to his property or business. The recovery is grounded on the mental strain and distress, on the humiliation, on the disturbance of the peace of mind suffered by the individual affected. True, where an individual's right of privacy has been invaded there are certain other elements. Thus, where a cause of action under the civil rights statute has been established, damages may include recovery for a so-called "property" interest inherent and inextricably interwoven in the individual's personality (citation omitted), but it is the injury to the person not to the property which establishes the cause of action. (*Gautier v. Football, Inc.*, 278 App.Div. 431, 438, 106 N.Y.S.2d 553, aff'd 304 N.Y. 354, 107 N.E.2d 485, *supra*.)

In *Rosemont v. Urban Systems*, 72 Misc.2d 788, 340 N.Y.S.2d 144, mod. on other grds. 42 A.D.2d 544, 345 N.Y.S.2d 17, a right of privacy cause of action was upheld despite the plaintiff's failure to allege injury to his feelings:

The instant action is quite clearly premised upon an appropriation for commercial exploitation of plaintiff's property rights in his name and career rather than upon an injury to feelings. There is no question but that a celebrity has a legitimate proprietary interest in his public personality. He must be considered as having invested years of practice and competition in a public personality which eventually may reach marketable status. (*Id.* at 790, 340 N.Y.S.2d 144.)

[6, 7] Finally, we note that the argument that the evidentiary facts offered by plaintiff bespeak a cause of action for violation of her right of publicity rather than an invasion of her right to privacy, even if valid, would not warrant dismissal of the privacy causes of action. A pleading "will not be dismissed for insufficiency merely because it is inartistically drawn" (*Foley v. D'Agostino*, 21 A.D.2d 60, 65, 248, N.Y.S.2d 121). Inquiry should be directed to "whether it states in some recognizable form any cause of action known to our law." (*Dulberg v. Mock*, 1 N.Y.2d 54, 56, 150 N.Y.S.2d 180, 133 N.E.2d 695.) "However imperfectly, informally or even illogically the facts may be stated, a complaint, attacked for insufficiency, is deemed to allege 'whatever can be implied from its statements by fair and reasonable intendment.'" (*Condon v. Associated Hosp. Serv.*, 287 N.Y. 411, 414 [40 N.E.2d 230], citing *Kain v. Larkin*, 141 N.Y. 144,

151 [36 N.E. 9].) The question for us is whether the requisite allegations of any valid cause of action cognizable by the state courts 'can be fairly gathered from all the averments.'" (*Condon, supra* at 414, 40 N.E.2d 230, citing *Moss v. Cohen*, 158 N.Y. 240, 247, 53 N.E. 8; *Zabriskie v. Smith*, 13 N.Y. 322, 330.)

Thus, even if we were to accept defendant's contention that an injury to plaintiff's right of publicity, exclusively proprietary in nature, is not within the purview of section 51 of the Civil Rights Law, but reposes instead in the common law, we would not be justified in dismissing the statutory right of privacy claims since the complaint may be fairly and reasonably interpreted as pleading a right of publicity claim.

[8] Defendants argue that plaintiff's career is flourishing and that the poster portrayed her in a pose and manner of dress consistent with the public perception of her. But these are considerations which affect damages, not liability.

The admitted failure of defendant Galaxy to obtain plaintiff's written consent prior to the unauthorized sale of the poster is, in the circumstances presented herein, dispositive on the issue of liability under the Civil Rights Law. Plaintiff is therefore entitled to summary judgment on the first cause of action, which seeks a permanent injunction, and to partial summary judgment on liability on the second cause of action, which seeks compensatory and exemplary damages.

[9] The solitary reed upon which plaintiff seeks to fasten liability on Elite and Casablancas under the Civil Rights Law is the delivery of her photograph to Galaxy. Yet, delivery of the photographs to Galaxy was an indispensable step in the production of a final product. Plaintiff admits she "agreed to participate in a shooting from which a poster may have been the result, depending of course on my judgment of the final product." Obviously, plaintiff's consent to participate in the poster project included her consent to the delivery of the photographs to Galaxy for the limited purpose of preparing a poster proof. Furthermore, plaintiff had seen preliminary proofs of the poster, was aware that such proofs could have been developed only by delivery of the photograph to Galaxy, and still voiced no objection to the project at that time. The authorized delivery of plaintiff's photographs for the limited purpose of producing a poster proof cannot now be construed as a "use" in violation of the Civil Rights Law merely because Galaxy subsequently, without consent and in apparent violation of its agreement with Casablancas, sold the poster.

Galaxy's assertion that some time prior to October 3, 1979, Casablancas advised it that he had obtained plaintiff's consent to proceed with the project is not a sufficient basis upon which to deny summary judgment to Elite and Casablancas, especially since Galaxy subsequently wrote to Casablancas on December 27, 1979 requesting written confirmation that consent has been obtained to manufacture and distribute the posters. No such

confirmation was ever forthcoming. Nor did Galaxy ever pursue the request. In fact, when Casablancas, upon learning of the unauthorized sale, brought the matter to Galaxy's attention, it never sought to justify its actions on the basis of verbal authorization. Instead, it denied any sale and suggested that a few posters might have been taken from its premises. Nor did Casablancas' failure to disapprove a sample poster of plaintiff constitute his approval to the poster's distribution by virtue of paragraph "10" of the agreement. That clause, which provides that "any items submitted to [Casablancas] and not approved within twenty [20] days shall be deemed to be approved", has to do with quality control and in no way relates to a consent to distribution.

The right of privacy claims should be dismissed against Elite for the additional reason that Elite in no way contributed to or participated in the unauthorized publication. Plaintiff concedes that Casablancas acted in his personal capacity in entering into the licensing agreement with Galaxy and it was Casablancas who, in that capacity delivered the photographs to Galaxy. On the basis of this record, Casablancas' dealings with Galaxy, performed in his personal capacity, cannot be imputed to Elite.

[10] Liability is sought to be imposed upon Spencer solely upon the basis of its purchase from Galaxy of a quantity of plaintiff's posters for resale. The purchase was in all respects a standard commercial transaction and Spencer, at the time, had no knowledge of the lack of consent. Hence, no action for exemplary damages lies. Nor does plaintiff have a claim against Spencer for compensatory damages since Spencer had desisted from selling any of the posters. Moreover, we do not believe that the merchandiser, which is not a publisher, and which sells a product exploiting the name, portrait or picture of a person, without either knowledge that such exploitation is unauthorized or even notice that would prompt reasonable inquiry, has "used" that person's name, portrait or picture within the meaning of Civil Rights Law §§ 50 and 51 so as to subject itself to liability for compensatory damages. To hold otherwise would subject such merchandiser to hazards over which it has no control, and impose upon it a burden disproportionate to the interest to be protected. (But see *Lerman v. Chuckleberry Pub., Inc.*, D.C., 496 F.Supp. 1105, 1109-10.) Accordingly the second cause of action seeking damages for the use of the poster should be dismissed against Spencer. Plaintiff is, however, entitled to summary judgment on the first cause of action seeking a permanent injunction against distribution of the poster.

[11] Summary judgment may likewise be entered against Oomi on the first cause of action. While Oomi has sold some of the posters, plaintiff fails to show that its purchase of them was other than a standard commercial transaction or that it was aware of her lack of consent. Thus, notwithstanding Oomi's default, plaintiff is not entitled to partial summary judgment on liability on the second cause of action.

Accordingly, the order, Supreme Court, New York County, entered January 5, 1981, granting defendants' motion to dismiss the first and second causes of action should be modified, on the law, without costs or disbursements, to deny defendant Galaxy's motion and to grant defendant Spencer's motion only as to the second cause of action, to grant plaintiff summary judgment on the first cause of action against defendants Galaxy, Spencer and Oomi and partial summary judgment on liability only on the second cause of action against Galaxy and, except as thus modified, affirmed.

Order, Supreme Court, New York County, entered on January 5, 1981, modified, on the law, without costs and without disbursements, to deny defendant Galaxy's motion and to grant defendant Spencer's motion only as to the second cause of action, to grant plaintiff summary judgment on the first cause of action against defendants Galaxy, Spencer and Oomi and partial summary judgment on liability only on the second cause of action against Galaxy and, except as thus modified, AFFIRMED.

All concur except KUPFERMAN, J., who concurs in a separate Opinion.

KUPFERMAN, *Justice*, concurring.

The opinion by my colleague, Mr. Justice Sullivan, is an excellent analysis, and I have a reservation only with respect to the concluding portion thereof, which has to do with the question of the liability of the distributors Spencer and Oomi. The second cause of action for damages against Spencer is dismissed (and summary judgment against Oomi denied) because of their lack of knowledge as to the unauthorized use. *Cf.* Defamation and Privacy under the First Amendment, by Professor Alfred Hill, 76 Col.L.Rev. 1205, 1279 (December 1976); *Namath v. Sports Illus.*, 48 A.D.2d 487, 488, 371 N.Y.S.2d 10 *aff'd* on the opinion at the App.Div., 39 N.Y.2d 897, 386 N.Y.S.2d 397, 352 N.E.2d 584.

In view of the de minimus distribution by those two defendants, I believe that the damage claim should be dismissed. However, I do not think that we need reach the conclusion that a merchandiser with a substantial amount of unauthorized material invading privacy should or could be relieved simply because of lack of knowledge. There may well be a duty to inquire.

BROADCAST MUSIC, INC. v. COCO'S DEVELOPMENT CORP.

No. 79-CV-391

(United States District Court, N.D. New York—Decided April 9, 1981)

212 USPQ 714

Action by Broadcast Music, Inc., against Coco's Development Corp., for copyright infringement. On plaintiff's motion for summary judgment. Motion granted.

COPYRIGHTS**1. Infringement—In general**

Essential elements of claim for copyright infringement are originality and authorship of composition, compliance with all formalities required to secure copyright under Title 17 of U.S. Code, that plaintiffs are proprietors of copyrights involved in action, that compositions were performed publicly for profit at defendant's business establishment on dates alleged in complaint, and that defendant had not received permission from plaintiff for such performances.

2. In general

Copyright certificates of registration constitute prima facie evidence of truth of facts contained in them, including authorship, publication, ownership, and compliance with statutory requirements of Title 17 of U.S. Code.

3. Infringement—In general**Pleading and practice in courts—Motions—For summary judgment—In general**

Allegations by defendant corporation that it engaged disc jockey for purpose of playing disco music at its restaurant, that its president has no personal knowledge of music actually played in restaurant on that night, that he was unaware of any obligation to obtain plaintiff's permission before performing musical compositions, and that he assumed that any required fees would have been paid by disc jockey, even if established at trial, are insufficient to escape liability for infringing performances; they are equally insufficient to defeat motion for summary judgment.

John W. Tabner, and Tabner Carlson Daffner & Farrell, both of Albany, N.Y., for plaintiff.

Frederick P. Conte, and Conte & Helisek, both of Johnson City, N.Y., for defendant.

MCCURN, District Judge. In this copyright infringement action, plaintiff seeks injunctive relief and damages based on defendant's alleged performance of five musical compositions. This matter is now before the Court on plaintiff's motion for summary judgment.

Defendant admits that it is the owner-operator of a restaurant known as Coco's, located in Vestal, New York. Plaintiff asserts, and defendant concedes, that it has received exclusive licenses with respect to performance

rights in the five musical compositions. Plaintiff claims that on the evening of January 11, 1979, each of the five musical compositions was performed for profit and without its permission at Coco's, thereby violating plaintiff's rights under the copyrights or exclusive licenses at issue.

[1, 2] The essential elements of a claim for copyright infringement are:

- (1) the originality and authorship of the composition;
- (2) compliance with all formalities required to secure a copyright under Title 17, United States Code;
- (3) that plaintiffs are the proprietors of the copyrights involved in the action;
- (4) that the compositions were performed publicly for profit at defendant's business establishment on the dates alleged in the complaint; and
- (5) that the defendant had not received permission from the plaintiff for such performances.

Shapiro, Bernstein & Co., Inc. v. The Log Cabin Club Assoc., 365 F.Supp 325, 328 n.4, 180 USPQ 316, 317 n.4 (N.D.W.Va. 1973). The Certificates of Registration filed by plaintiff constitute prima facie evidence of the truth of the facts stated therein, 17 U.S.C. § 410, including authorship. Van Cleef & Arpels, Inc. v. Scheckter, 308 F.Supp. 675, 676, 164 USPQ 540, 542-543 (S.D.N.Y. 1969), publication, Tennessee Fabricating Co. v. Moultric Manufacturing Co., 421 F.2d 279, 282, 164 USPQ 481, 483-484 (5th Cir. 1970), ownership, Plymouth Music Co. v. Magnus Organ Co., 456 F.Supp. 676, 203 USPQ 268 (S.D.N.Y. 1978), and compliance with the statutory requirements of Title 17, *Fruedenthal v. Hebrew Publishing Co.*, 44 F.Supp. 754, 755, 53 USPQ 466, 467-468 (S.D.N.Y. 1942). Thus, the Certificates, together with defendant's admissions on file with the Court, are sufficient to establish the first three elements set forth above.

With respect to the fourth and fifth elements, plaintiff submitted the affidavit of its investigator who states that he was present at Coco's on January 11, 1979. The investigator states further that while he was present, the five musical compositions were performed. Affidavit of John Dedloff, October 27, 1980. In response to plaintiff's requests for admissions, defendant admitted that it did not have permission to publicly perform for profit any of the five songs.

[3] Thus, the only remaining question on the liability issue is whether or not the five musical compositions were in fact performed at Coco's on January 11, 1979. As noted above, plaintiff submitted the affidavit and log of its investigator answering this question in the affirmative. Plaintiff also requested admissions from the defendant: "That on or about the 11th day of January, 1979, defendant at its place of business, caused to be publicly performed for profit," each of the five compositions. It is significant that defendant failed adequately to answer these requests, and stated only that, " * * * it does not call for an admission of fact, is argumentative and calls for a legal conclusion." It is also noteworthy that defendant

never denied that the five songs were in fact performed on the date alleged. Rather, Guido Iacovelli, defendant's president, stated in an affidavit that in January 1979, Coco's "engaged a disc jockey for the purpose of playing disco music at its restaurant." Affidavit of Guido Iacovelli, December 4, 1980. Mr. Iacovelli goes on to allege that he has no personal knowledge of the music actually played in the restaurant on that night, that he was unaware of any obligation to obtain plaintiff's permission before performing the musical compositions, and that he assumed that any required fees would have been paid by the disc jockey. *Id.* These allegations, even if established at trial, are insufficient to escape liability for the infringing performances. They are equally insufficient to defeat a motion for summary judgment, for they do not raise questions concerning facts material to defendant's liability under the copyright law.

In addition to permanent injunctive relief, plaintiff seeks, and is entitled to, statutory damages together with the costs and disbursements of this action including reasonable attorney's fees. 17 U.S.C. §§ 504, 505. In this case, the Court finds that the infringements which occurred on January 11, 1979, were not willful. Based on the uncontradicted statements in Mr. Iacovelli's affidavit, I also find that he was not aware nor had he reason to believe that his acts constituted an infringement of copyright. There is nothing in this record to suggest that defendant had received prior notification from plaintiff that permitting a disc jockey to play records in the restaurant would infringe plaintiff's exclusive license or otherwise infringe the copyrights. Moreover, it appears from the record that Coco's use of a disc jockey to provide musical entertainment was, at that time, sporadic at most. Accordingly, this Court believes that reduced damages in the sum of \$150.00 for each of the five infringements is appropriate and just.

Plaintiff seeks an award of \$1,500.00 for its attorneys' fees in this action. The Court finds this request excessive in light of relative simplicity of the issues involved. The Court also believes that the request for attorney's fees should be reduced since much of the time logged in this case was concerned not with the merits of this case but with plaintiff's efforts to enter a licensing agreement with defendant to cover future performances. Finally, I have already concluded that the infringements established in this case were not willful and, in light of the injunction granted herein, they are unlikely to recur. Having considered all of the relevant factors, the Court awards plaintiff \$750.00 in attorneys' fees.

Accordingly, it is hereby ORDERED, that:

(1) The motion of plaintiff Broadcast Music, Inc., for summary judgment with respect to the five infringements alleged in its complaint against Coco's Development Corp., a/k/a Coco's be and is hereby granted, and the Clerk of the Court is directed to enter judgment in favor of the plain-

tiff in the amount of \$150.00 for each of the five infringements, or a total of \$750.00 in statutory damages, and it is further

ORDERED, that

(2) Plaintiff recover attorneys' fees in the amount of \$750.00, plus costs and disbursements of this action, as provided by law, and it is further ORDERED, that

(3) Defendant and all persons acting under its direction, control permission or authority be and are hereby permanently enjoined and restrained from publicly performing the five musical compositions for which judgment is hereby entered, or from causing or permitting said compositions to be publicly performed in defendant's premises, Coco's, or in any place owned, controlled, or conducted by defendants, and from aiding or abetting the public performance of such compositions in any such place or otherwise.

BROADCAST MUSIC, INC., Boudleaux Bryant and Felice Bryant, a partnership, d/b/a House of Bryant Publications, Ahab Music Company, Inc., Arc Music Corp., A. E. Owens, an individual, d/b/a Blue Book Music, Waylon Jennings and Thomas P. Glaser, a partnership, d/b/a Baron Music Publishing Company, Willie Nelson Music, Inc., d/b/a Willie Nelson Music Publishing, and Shelby Singleton Music, Inc., Plaintiffs, v. **MOOR-LAW INC.**, a Delaware Corporation, and/or Robert C. Moor, Jr., an individual, d/b/a Triple Nickel Saloon, Defendants

Civ. A. No. 77-325

(United States District Court, D. Delaware—November 24, 1981)

527 F.Supp. 758. 212 USPQ 873

[See also 203 USPQ 487, 42. C.O.Bull. 96 (D. Del., Dec. 13, 1978); 484 F.Supp. 357, 204 USPQ 726, 44 C.O.Bull. 142 (D. Del., Jan. 4, 1980); 212 USPQ 168, 44 C.O.Bull. 156 (D. Del., Oct. 17, 1980); 691 F.2d 490, 491 (3d Cir.—*Affirmed without published opinion*, July 8, 1982)]

Performing rights organization brought copyright infringement suit. Defendant raised the affirmative defense of copyright misuse, and counterclaimed for violations of the Sherman Act and the Clayton Act. The District Court, Stapleton, J., held that: (1) performing rights organization's use of a full repertory blanket license to small establishments providing live music in combination with a price based on total entertainment expenses did not constitute a

restraint of trade in violation of Sherman Act; and (2) pricing system of performing rights organization, which required small establishments providing live music to pay a price based on a percentage of entertainment expenses, did not constitute copyright misuse; and (3) defendant failed to establish that plaintiff engaged in a conspiracy in violation of the Sherman Act.

Judgment in favor of plaintiff on its copyright infringement claim and against defendant on its antitrust counterclaim.

1. Monopolies

Rule of reason analysis, rather than per se analysis, would be applied to claim that performing rights organization's practices in licensing music rights to small establishments providing live music constituted a restraint of trade in violation of Sherman Act. Sherman Anti-Trust Act, § 1, 15 U.S.C.A. § 1.

2. Monopolies

Performing rights organization's use of a full repertory blanket license to small establishments providing live music in combination with a price based on total entertainment expenses did not constitute a restraint of trade in violation of Sherman Act. Sherman Anti-Trust Act, § 1, 15 U.S.C.A. § 1.

3. Monopolies

Pricing system of performing rights organization, which required small establishments providing live music to pay a price based on a percentage of entertainment expenses, did not constitute copyright misuse.

4. Monopolies

Defendant in copyright infringement suit failed to establish that plaintiff performing rights organization was engaged in a conspiracy in restraint of trade with respect to its licensing practices in the market consisting of small establishments that provide live music. Sherman Anti-Trust Act, § 1, 15 U.S.C.A. § 1.

5. Monopolies

Proof of an express agreement is not required to find a conspiracy under Sherman Act. Sherman Act, §§ 1, 2, 15 U.S.C.A. §§ 1, 2.

6. Monopolies

Consciously parallel business behavior combined with other circumstantial evidence may support inference of a conspiracy under the Sherman Act; to prove consciously parallel behavior, however, an antitrust claimant must show not only that the alleged coconspirator's behavior was parallel and that they were aware of each other's practices but also that their awareness was an element in their decisional process. Sherman Anti-Trust Act, §§ 1, 2, 15 U.S.C.A. § 1, 2.

7. Monopolies

Defendant in copyright infringement suit failed to establish that plaintiff performing rights organization engaged in a conspiracy to monopolize with respect to licensing practices in the market consisting of small establishments that provided live music. Sherman Anti-Trust Act, § 2, 15 U.S.C.A. § 2.

8. Monopolies

In order to establish monopolization in violation of Sherman Act, an antitrust claimant must establish not only monopoly power, but also conduct by the monopolist which prevents or impedes competition. Sherman Anti-Trust Act, § 2, 15 U.S.C.A. § 2.

David A. Drexler, William H. Sudell, Jr., and John F. Johnston, of Morris, Nichols, Arsht & Tunnell, Wilmington, Del., for plaintiffs.

William J. Wier, Jr., Robert Jacobs, and Terry C. Seningen of Bader, Dorsey & Kreshtool, Wilmington, Del., for defendants.

OPINION

STAPLETON, *District Judge*. Virtually all licensing of performing rights to musical compositions in the United States is conducted by two large organizations representing thousands of individual copyright owners, Broadcast Music, Inc. ("BMI") and the American Society of Composers, Authors & Publishers ("ASCAP"). In recently completed, multi-phased litigation,¹ the Columbia Broadcasting System, Inc., ("CBS") raised ultimately unsuccessful antitrust challenges to the practices of BMI and ASCAP in licensing performing rights to music used by television networks. This lawsuit involves antitrust and copyright misuse challenges to BMI's practices in licensing music rights to small establishments, like nightclubs and bars, that provide live music.

In 1977, BMI and several publisher affiliates initiated a copyright infringement action against Moor-Law, Inc., a Delaware corporation doing business as the Triple Nickel Saloon. In 1979, BMI initiated another infringement action under the amended Copyright Act.² The two actions were consolidated. Triple Nickel raised the affirmative defense of copyright misuse, and counterclaimed for violations of Sections 1 and 2 of the Sherman Act and Section 3 of the Clayton Act. In earlier decisions, this Court granted summary judgment in favor of BMI on the copyright infringement claims, *BMI v. Moor-Law, Inc.*, 484 F.Supp. 357 (D.Del.1980), and postponed the resolution of the Triple Nickel's motion for class certification pending the resolution of the liability issue, *BMI v. Moor-Law, Inc.*, CCH Trade Regulation Reporter Transfer Binder ¶ 63,472 (D.Del.1980).

The central issue at trial was the legality of BMI's use of a "blanket license" agreement. This agreement provides users like the Triple Nickel with access to all compositions within the BMI repertory, and bases the fee for that access not on the amount of BMI music used, but on the user's total entertainment expenses.

¹*Columbia Broadcasting System, Inc., v. ASCAP*, 400 F.Supp. 737 (S.D.N.Y.1975) (CBS II); *rev'd and remanded* 562 F.2d 130 (2d Cir. 1977) (CBS III); *rev'd and remanded sub nom BMI v. Columbia Broadcasting System, Inc.*, 441 U.S. 1, 99 S.Ct. 1551, 60 L.Ed.2d 1 (1979) (CBS IV); *on remand sub nom Columbia Broadcasting System, Inc. v. ASCAP*, 607 F.2d 543 (2d Cir. 1979) (CBS V); 620 F.2d 930 (2d Cir. 1980) (CBS VI); *cert. denied* 450 U.S. 970, 101 S.Ct. 1491, 67 L.Ed.2d 621 (1981).

²17 U.S.C. § 101, *et seq.* (1978).

I. FACTUAL BACKGROUND

Responding to the need of a large number of musical copyright holders to license the rights to their music to a large number of geographically diverse music users, ASCAP was founded in 1914 as the first musical performing rights organization in the United States. In 1939, radio users, angered by ASCAP's rising license fees, formed BMI as a competitor. Both organizations have grown over the years and together dominate the musical performing rights field today. ASCAP controls rights to approximately 3,000,000 compositions; BMI controls the rights to approximately 1,000,000 compositions and claims to have greater share of the currently more popular songs. BMI has 40,000 writers and 16,000 publishers affiliated with it; it has 350 employees. There is also a smaller, less well-known performing rights organization called SESAC which controls the rights to approximately 150,000 compositions.

As chronicled in the recent *CBS* litigation, both ASCAP and BMI have been subject to antitrust litigation in the past. BMI's licensing activities have been subject to two consent decrees, *United States v. BMI*, 1940-1943 Trade Cases ¶ 56,096 (E.D. Wis.1941); *United States v. BMI*, 1966 Trade Cases ¶ 71,941 (S.D.N.Y.1966). As a result of the 1966 consent decree, BMI is required, *inter alia*, to make a per composition license, as well as its blanket license, available to all licensees and to allow direct licensing by individual copyright holders.

BMI licensees fall into two categories: broadcast and non-broadcast (or general). Included among the broadcast licensees are television networks like CBS, television stations, and radio stations. Included among the non-broadcast licensees are hotel and motels, dance studios, skating rinks, colleges, concert halls, and a sub-category called "GLAs." GLAs are small establishments like bars, nightclubs and restaurants that offer live music and are subject to BMI's General Licensing Agreement (GLA).

The Triple Nickel falls within the GLA category. Owned and operated by Mr. Robert Moor, the Triple Nickel has been doing business in Bear, Delaware, since September 1976. It offers primarily country and western music. Live music is performed nightly at the Triple Nickel by both nationally known musicians.³ and by lesser known, often local, performers. It is open 365 nights a year for four hours each evening. Approximately 40 songs per evening are performed at the Triple Nickel.

The "blanket license" offered by BMI to establishments like the Triple Nickel provides the licensee with the right to immediate, indemnified access to any and all songs in the BMI repertory. The GLA licensee is charged an annual fee for the license based on its annual entertainment expenses (i.e. the cost of hiring musicians). The rate schedule which current-

³Mr. Moor included among the Triple Nickel's recent performers Johnny Paycheck, Freddy Hart, Moe Bandy, Del Reeves and Margo Smith.

ly includes a \$75 minimum fee, is contained in BMI's standard GLA Agreement, which every licensee must sign. Edward Cramer, president of BMI, testified that the current standard Agreement, including its rate schedule, has remained substantially unchanged for about ten years. The Triple Nickel's fee for BMI's license based on its 1979 estimated entertainment expense of \$75,000 would have been \$400.⁴ ASCAP offers the same full repertory blanket license to GLA licensees, but its fee is derived from a formula which includes the price of drinks served, seating capacity, and other variables. Mr. Moor testified that an ASCAP representative informed him that their licensing fee for the Triple Nickel would be approximately \$600.

BMI offers a similar blanket license to non-GLA licensees. For radio licensees, for example, the license fee is determined by a schedule geared to the station's advertising revenues; for concert licensees, the fee is based on concert revenues; and for the hotel-motel licensees the fee is based, like it is for the GLAs, on entertainment expenses. While BMI sets the terms of the GLA licensing agreement unilaterally, the terms and rates of the standard contract for the blanket license for other licensees like radio stations and hotel and motels are negotiated between BMI and the industry trade association.

⁴The 1980 Standard Agreement (PX-13) contains the following fee schedule:

SCHEDULE "A" — RATES OF ANNUAL FEES

<u>*BRACKET OF ANNUAL ENTERTAINMENT COSTS</u>		<u>ANNUAL LICENSE FEE</u>	<u>*BRACKET OF ANNUAL ENTERTAINMENT COSTS</u>		<u>ANNUAL LICENSE FEE</u>
Less than	\$ 5,000.00	75.00	\$120,000.00 to \$139,999.99		\$ 700.00
5,000.00 to	7,999.99	90.00	140,000.00 to \$159,999.99		800.00
8,000.00 to	9,999.99	100.00	160,000.00 to 179,999.99		900.00
10,000.00 to	14,999.99	120.00	180,000.00 to 199,999.99		1,000.00
15,000.00 to	24,999.99	180.00	200,000.00 to 249,999.99		1,250.00
25,000.00 to	34,999.99	240.00	250,000.00 to 299,999.99		1,300.00
35,000.00 to	49,999.99	300.00	300,000.00 to 349,999.99		1,400.00
50,000.00 to	64,999.99	325.00	350,000.00 to 399,999.99		1,500.00
65,000.00 to	79,999.99	400.00	400,000.00 to 449,999.99		1,600.00
80,000.00 to	99,999.99	500.00	450,000.00 and over		1,700.00
100,000.00 to	119,999.99	600.00			

*"Entertainment Costs" shall mean all expenditures of every kind and nature (whether in money or any other form of consideration) made by LICENSEE, or on LICENSEE'S behalf, for the services of musicians and all other entertainers actually present and performing at LICENSEE'S premises. The services of LICENSEE as a musician or entertainer shall be included in "Entertainment Costs" at the prevailing rate for such services in the community. Included in "Entertainment Costs" is the agreed value of room and board where LICENSEE is obligated to provide accommodations to musicians and entertainers as part of the consideration for such entertainment services. The agreed value of room and board shall be deemed to be one-half of the prevailing rate charged to guests for similar accommodations.

Revenues from all licensees are combined into a general fund. In 1980, BMI's revenue from all sources was approximately \$90 million. Despite the greater number of non-broadcast licensees, roughly 90% of BMI's annual licensing revenues comes from broadcast licensees.

Before distributing revenues to its affiliates, BMI deducts its total expenses. A substantial portion of total expenses are attributable to licensing costs. The costs for licensing depend on the type of licensees. In the broadcast licensing area, there are fewer licensees and they typically tend to be more knowledgeable about their obligations under the copyright law. Because there are trade associations which negotiate standard contract terms, acceptance of the terms of the contracts by individual licensees is easily obtained. On the other hand, in the non-broadcasting field there are more licensees, few trade associations, and much higher turnover. For GLA's, costs include locating the GLA establishment, notifying it of its obligations under the copyright laws, reaching an agreement, and, where appropriate, initiating infringement litigation. Because of the conditions of large numbers, large turnover, lack of awareness, and resistance to imposed contract terms, BMI's enforcement problems also tend to be high for GLAs. Therefore, although BMI does not regularly break down its overall licensing costs among the different categories of licensees, BMI officials believe that the expense of licensing is much greater for non-broadcast licensees, especially GLAs.

Shortly before trial, BMI conducted its first ever financial analysis of its GLA licensing operation. Comparing fiscal year 1979 GLA licensing fee revenues with estimated fiscal year 1979 GLA licensing costs, BMI concluded that GLA licensing costs exceeded licensing revenues by \$46,000 (PX-41).

After overall expenses are deducted from general revenues, net revenues are distributed as royalties to BMI's writer and publisher affiliates in accordance with current payment rate schedules. The rate schedules differ depending on the type of broadcast media, but all schedules use a "multiplier" which awards affiliates proportionately based on the total number of performances of each song by broadcast licensees. The publisher and writer are each guaranteed a minimum amount (*e.g.*, a penny per play) for a single performance of the song on broadcast media. In order to determine whether and how frequently a song is played, BMI relies on various sampling methods depending on the type of broadcast media. The television networks submit logs containing a listing of all the music that the network uses. For local TV stations, a computer listing of the 90 weekly editions of TV guide is matched with cue sheets for particular programs and with a computer listing of all BMI music. For radio stations, BMI engages in a random sampling of 100 stations a week, each station submitting a log of the week's songs by title and writer for identification. Neither ASCAP nor BMI monitors performances of music in

GLAs or other non-broadcast establishments for purposes of setting payment rates for affiliates.

The events leading up to this litigation are not atypical of the experiences of other GLA licensees who testified at trial. In January 1977, Mr. Moor, the owner of the Triple Nickel, received a form letter from BMI informing him of his obligation under the copyright statute and the necessity for obtaining a BMI license. The Triple Nickel was also visited by a BMI representative; Mr. Moor refused to enter into the BMI blanket license. After a second visit by the BMI representative, during which the performance of live songs at the Triple Nickel were logged, and two more letters, BMI initiated this copyright infringement action against the Triple Nickel in August 1977. In 1978, counsel for BMI and the Triple Nickel engaged in correspondence concerning the form of license. BMI offered a per piece license to Mr. Moor if he could identify the songs he wanted to use; Mr. Moor requested a list of all BMI compositions; BMI explained such a list was not available since BMI had a constantly changing repertory of one million songs (over 40,000 new songs being added annually), but invited Mr. Moor to New York to search the BMI library himself. This was the end of negotiations between the parties.

II. CHARACTERISTICS OF THE MARKET.

The relevant market in this case is the licensing of musical performing rights to GLA licensees. An examination of the characteristics of this unique market is essential to an evaluation of the Triple Nickel's antitrust and copyright misuse claims. Although the parties dispute the significance of some market characteristics, they are in basic agreement about many features of the market, including the applicability of the economic concepts of natural monopoly and public goods.

Both parties' experts agreed that this market has natural monopoly characteristics. Because there are thousands of individual copyright "sellers" seeking to deal with thousands of GLA buyers, the potential transaction costs are very high. Economies of scale exist as sellers band together to spread transaction costs of identical transactions over a larger group. Thus, some pooling of copyrights by individual copyright holders is a necessity in order to take advantage of the natural monopoly characteristics of the market.

In addition, both parties' experts agree that the goods in this market—the performing rights to the musical compositions—have the characteristics of "public goods". Public goods have two salient characteristics which operate in this market. First, unlike private goods (e.g. apples), one can use a public good without leaving any less for others to consume. Once a musical composition is created, the marginal cost of

additional consumption is zero.⁵ The second characteristic of public goods is that it is difficult to exclude persons who do not pay from using the good. The owners of private goods can withhold their goods from the market and release them only in return for payment; but, once a composer's song becomes known, he or she finds it difficult to prevent that good from being "stolen" by users. The enforcement problem resulting from this public good characteristic manifests itself in the GLA market through users who don't pay any licensing fee. During the course of this litigation, this has been labeled the "free rider" problem.

Because the high transaction costs derived from natural monopoly characteristics are increased by the public good enforcement problem, very large performing rights organizations, like BMI and ASCAP, in which individual copyright holders pool their rights are necessary to achieve efficiency. The larger the organization, the more efficient it will be in reducing transaction costs; indeed, Triple Nickel's expert, Dr. Cirace, advocated one combined licensing operation as the most efficient means of operating in this market. The necessity for these large licensing organizations makes competition in the sense of many sellers competing against each other in the GLA market unrealistic.

The parties are also in agreement that the nature of the GLA market makes some kind of blanket license a necessity. As the Supreme Court observed in *CBS IV*:

Individual sales transactions in this industry are quite expensive, as would be individual monitoring and enforcement, especially in light of the resources of single composers. Indeed, as both the Court of Appeals and CBS recognize the costs are prohibitive for licenses with individual radio stations, nightclubs, and restaurants, . . . and it was in that milieu that the blanket license arose.

CBS IV, 441, U.S. at 20, 99 S.Ct. at 1562.

Moreover, the Supreme Court's recognition in the *CBS* case, *Id.* at 20, 99 S.Ct. at 1562, that most users want "unplanned, rapid and indemnified access" to a wide range of compositions, is particularly apt in the GLA market. Testimony at trial made clear that GLA users typically do not know in advance what compositions will be performed nightly in their establishments and yet want the right to perform them instantaneously. The blanket license provides instantaneous access to any composition desired.

A corollary of the conclusion that the blanket license is a necessity in the GLA market is that the alternatives required by BMI's consent decree of direct licensing with individual copyright owners or of per piece licensing are unfeasible in this market. Again, the parties seem to agree on this

⁵See *Cirace, CBS v. ASCAP; An Economic Analysis of a Political Problem*, 47 Fordham L.Rev. 277, 282 (1978).

point. Unlike the situation in *CBS* where large networks were interested in a relatively small number of compositions known in advance of performance. GLAs like the Triple Nickel are small establishments which lack the resources or the advance notice to contact copyright owners individually on a large scale. Likewise, because GLA owners rarely know in advance of performance the songs a band intends to play and because GLA bands often take audience requests, a prospective per piece license is unrealistic.

Finally, although the parties disagree over appropriate methods of pricing, they seem to agree that the natural market forces of supply and demand do not operate formally on pricing in this market. Because of the public good characteristic that the marginal cost of using a musical composition is zero, normal cost-based pricing is not feasible. The parties seem to agree that some form of pricing based on benefit conferred is appropriate. But, since as a practical matter a GLA needs a license from both ASCAP and BMI, the normal constraint on benefit pricing—alternative supply—does not operate in this market.

Thus, although large performing rights organizations are a necessity in this market, the result in the current market is that BMI can exercise substantial monopoly power over price. This monopoly power of the seller is particularly strong in a negotiating situation where there is no corresponding power on the buyer's side. Unlike the television network where buyers like CBS exercise some monopsony power of their own, the buyers in the GLA market are weak and diffuse.

While normal competitive forces do not operate in this market, it is not true that BMI's price for its GLA license is unconstrained. Testimony at trial convinced me that the free rider problem does not provide a significant constraint on the price BMI charges. The higher the price it charges, the greater the resistance of GLA users is likely to be, and conversely, the lower the price, the lower the resistance will be. Since the free rider problem tends to make BMI's enforcement costs high and can, indeed, cause increased costs to more than consume increased revenue from a higher price, BMI considers this problem when setting a price.

III. TRIPLE NICKEL'S CONTENTIONS.

The Triple Nickel's primary challenge is to the current licensing agreement BMI offers to GLAs. It maintains that the offering of that license without providing a realistic alternative constitutes an illegal tie-in which is a *per se* violation of Section 1 of the Sherman Act. But regardless of the disposition of the tie-in claim, the Triple Nickel attacks the combination of full repertory blanket license and fee tied to entertainment expense as a

general restraint of trade illegal under Section 1.⁶ It further argues that BMI's imposition on GLAs of this blanket license involving pooled copyrights priced in such a way that it includes other factors besides the amount of BMI music used constitutes copyright misuse.

In addition, the Triple Nickel alleges that BMI has engaged in two conspiracies in restraint of trade in violation of Section One. The first alleged conspiracy is a scheme between BMI and ASCAP to stabilize prices in the GLA market. The second alleged conspiracy is between BMI and its affiliates to institute "factually inadequate" lawsuits against GLAs.

Finally, Triple Nickel alleges that all of BMI's practices attacked under Section One also violate Section Two either as monopolization, attempted monopolization, or conspiracy to monopolize.

IV. THE PRIMARY SECTION ONE CLAIM.

A. *Per Se Or Rule Of Reason Analysis?*

[1] The Triple Nickel argues that BMI's current licensing practices coerce it into purchasing music which it does not wish to perform in order to secure access to music which it does wish to perform.⁷ Because of this "tie-in", the Triple Nickel maintains that this case is an appropriate one for *per se* rather than Rule of Reason analysis. As I indicated in my prior opinion,⁸ however, this issue was resolved against the Triple Nickel in *CBS IV*.

⁶Triple Nickel also alleges that BMI's current licensing practices violate Section 3 of the Clayton Act, 15 U.S.C. § 14. The applicability of Section 3, however, is limited to the "sale of goods, wares, merchandise, machinery, supplies, or other commodities." It is not clear that the performance rights at issue here fall within the "other commodities" category. See, e.g., *Times-Picayune Publishing Co. v. United States*, 345 U.S. 594, 609 n. 27, 73 S.Ct. 872, 881 n. 27, 97 L.Ed. 1277 (1953). In addition Section 3 applies when the contract in question requires a refusal to deal with competitors of the seller, a condition not present here. See *Shaeffer v. Collins*, 1980 CCH Trade Regulation Reporter ¶ 63,666 at 77,576 (E.D.Pa.1980).

Even if BMI's licensing practices were covered by Section 3 of the Clayton Act, however, it would make little difference for purposes of analysis. The standards for evaluating tying claims are virtually identical under the two statutes. See *Sullivan, Antitrust*, § 153 (1977); *Moore v. Jas. H. Matthews & Co.*, 1977 CCH Trade Regulation Reporter, 550 F.2d 1207, 1211, 1213-14 (9th Cir. 1977).

⁷In attempting to force this fact situation into the traditional tie-in mold, the Triple Nickel has some difficulty identifying two separate products, only one of which it desires. "The common core of the adjudicated unlawful tying arrangements is the forced purchase of a second distinct commodity with the desired purchase of a dominant 'tying' product." *Times-Picayune v. United States*, 345 U.S. 594, 614, 73 S.Ct. 872, 883, 97 L.Ed. 1277 (1953).

As discussed in more detail in Section IV.D. *infra*, the Triple Nickel failed to prove that there was only one category of musical compositions, i.e., country-western, for which it desired performing rights. The Triple Nickel also failed to prove that there was a large category of music—e.g. a "family" of music including country, bluegrass and gospel—that

In *CBS IV*, the Supreme Court held that ASCAP's blanket license required Rule of Reason analysis and each of the reasons given for that conclusion support the utilization of that approach in this case. Here, as there, the market is sufficiently unusual and the Court's experience with the challenged practice sufficiently sparse that one cannot confidently characterize the defendants' conduct as " 'plainly anticompetitive' and very likely without 'redeeming virtue.' " 441 U.S. at 9, 99 S.Ct. at 1557.

Accordingly, I hold that Rule of Reason analysis is appropriate in this case and turn to the evidence in order to assess the actual and potential adverse impacts of BMI's practices on the relevant market, the positive contributions of those practices in that market, and the effects of the alternative practices which Triple Nickel believes would involve less restraint on competition. *See generally American Motor Inns, Inc. v. Holiday Inns, Inc.*, 521 F.2d 1230, 1246-47 (1975).

B. Restraints Of Trade

[2]The first and most obvious restraint of trade which arises from BMI's current licensing practices is the one focused on in the *CBS* case, the elimination of price competition among those whose compositions are in its pool of music. There are additional anticompetitive effects, however, of the kind reflected in the leading "block booking" cases upon which the Triple Nickel so heavily relies.⁹

could be adequately defined to meet its needs. It is true, as the Triple Nickel urges, that BMI music may theoretically be categorized as consisting of two kinds of music: music that the Triple Nickel wants to play in its establishment, and music that the Triple Nickel doesn't want to play. But it is not true in any realistic sense that the full repertory license forces the Triple Nickel to take the music it doesn't want along with the music it wants; rather Triple Nickel's method of doing business, which does not permit advance identification of the compositions it will ultimately wish to play, causes it to need the right to perform the full BMI repertory. The Supreme Court recognized this fact when it characterized the blanket license as akin to a single product:

The blanket license is composed of the individual compositions plus the aggregating service. Here, the whole is truly greater than the sum of its parts; it is, to some extent, a different product. . . . [T]o the extent the blanket license is a different product, ASCAP is not really a joint sales agency offering the individual goods of many sellers, but is a separate seller offering its blanket license, of which the individual compositions are raw material.

CBS IV, 441 U.S. at 21-22, 99 S.Ct. at 1563.

⁸*Broadcast Music, Inc. v. Moor-Law, Inc.*, 484 F.Supp. at 367-68 (D.Del.1980).

⁹*See, e.g., United States v. Loew's*, 371 U.S. 38, 83 S.Ct. 97, 9 L.Ed.2d 11 (1962) (invalidating distributor practice of package selling of films to TV station customers); *United States v. Paramount Pictures, Inc.*, 334 U.S. 131, 157, 68 S.Ct. 915, 929 L.Ed. 1260 (1948) (invalidating package selling of films to theater owners); *F. E. L. Publications, Ltd. v. Catholic Bishop of Chicago*, 506 F.Supp. 1127 (N.D.Ill, 1981) (invalidating package selling of religious musical compositions). One of the ways these cases differ from our case, however, is that in those markets buyers could identify in advance the specific "blockbuster" films or compositions desired. Thus, "untying" the package was much more feasible in those cases than here. *See note 7, supra.*

This package selling arrangement results in the sellers selling more "product" than they would in a competitive market. In a competitive market, some sellers would sell more songs than others depending upon the popularity of their compositions. In this market, however, sellers pool their songs and sell them on an all-or-nothing basis. By thus banding together, rather than competing against each other, the sellers are able to lever the selling power of one copyright to the selling power of others and thus enlarge the monopoly of all. As a result, less popular sellers sell more than they otherwise would. As the Supreme Court has observed in a motion picture context:

Where a high quality film greatly desired is licensed only if an inferior one is taken, the latter borrows quality from the former and strengthens its monopoly by drawing on the other. The practice tends to equalize rather than differentiate the reward for the individual copyrights.

United States v. Paramount Pictures, Inc., 334 U.S. 131, 158, 68 S.Ct. 915, 930, 92 L.Ed. 1260 (1948).

In addition to rewarding inferior copyrights, all copyrights will tend to achieve greater sales by package selling than they would without such an arrangement. Even the most popular songs are not wanted by all GLAs. Thus, any songwriter is likely to increase his sales by combining his songs in a package with all other songs, since some buyers who would not otherwise purchase his songs must now do so in order to get the songs that they do desire.¹⁰

In addition to the anticompetitive effects on individual copyright sellers, there are corresponding effects on the copyright buyers. BMI's current licensing practices deprive GLA purchasers of the control which they would have in a competitive market over the amount of business they conduct with a particular source. In a competitive market, for example, a GLA would have the ability to reduce its purchases from a particular source in response to a price rise. Where the only feasible access to BMI's music is through an all-or-nothing license which bases the price paid on factors other than the quality of BMI music performed, however, a GLA is unable to reduce its total obligation to BMI through control of the quantity of BMI music performed.¹¹

¹⁰The anticompetitive benefits to individual copyright sellers could potentially be overcome if GLA buyers had an alternative to the all-or-nothing package. However, unlike the situation in *CBS*, see *CBS III*, 562 F.2d at 134-35, that alternative is not realistically available to buyers in this market. As discussed in Section II, *supra*, both parties agree that direct licensing with individual copyright holders and the per piece alternative offered are not feasible alternatives in the GLA market. By definition alternatives which are unfeasible cannot remove the element of coercion and the resulting anticompetitive effects from the only other alternative (the all-or-nothing blanket license) offered.

¹¹BMI's argument that these restraints on buyers are irrelevant is not persuasive. While the primary concern of analogous tying cases has usually been on the effects on competing

Finally, the all-or-nothing BMI license may erect barriers to entry to potential competition from other musical performing rights organizations. GLA proprietors testified that the combined costs of BMI and ASCAP all-or-nothing licenses were significant for them, and that the arrival of a third licensing organization, SESAC, increased their resistance to licensing proposals further. When the only option the seller offers is all-or-nothing, the buyer presumably wants to deal with as few sellers as possible. In such a situation, because the price the buyer is charged is not related to the quantity used, even if its total quantity of music used remains the same, it may face a higher total price with each additional seller, rather than a reallocation of total price among different sellers. One would expect that the burden of this increased resistance to licensing would not be visited equally on all sellers in the market. The buyers have a greater incentive to resist a new and smaller organization who controls a smaller percentage of the compositions desired and whose willingness and ability to enforce its right through expensive litigation has not been as forcefully demonstrated in the marketplace. Since the willingness of most GLA's to take a license without litigation is crucial to success in this market, the increased resistance engendered by the absence of a relationship between price and quantity may constitute a barrier to entry. The significance of that barrier is impossible to assess, however, on the basis of the record in this case.

C. Justifications

BMI asserts, and the Triple Nickel does not dispute, that BMI's blanket license has redeeming virtues. As earlier noted, the parties agree that performing rights societies and their blanket licenses reduce transaction costs which would otherwise be prohibitive. BMI's blanket license thus has a pro-competitive effect in the sense that there would be no market if individual GLAs were left to negotiate with individual copyright holders.

Moreover, Triple Nickel acknowledges that some form of blanket license is necessary to meet the needs of GLAs. The "unplanned, rapid and indemnified access" which GLAs need can only be afforded by a form of licensing which does not require the identification of particular musical compositions in advance of their performance.

BMI justifies the "full repertory" blanket license both on the ground that it is the best means of meeting the needs of virtually all GLA buyers and on the ground that a less than full repertory license system, if feasible

sellers, tying is condemned because of the restraint imposed on both sellers and buyers. "Tying offends antitrust values in two respects: by foreclosing competitors of the seller from fair access to that part of the market for the tied product which is foreclosed by the tie, and by reducing the range of choice open to buyers of that product." L. Sullivan, *Antitrust*, § 156 citing *Standard Oil Co. of Cal. v. United States*, 337 U.S. 293, 69, S.Ct. 1051, 93 L.Ed. 1371 (1949).

at all, would be significantly more expensive to administer than a full repertory one. Since GLA users tend to use a large number and wide variety of musical compositions, their needs can generally be most completely served with access to as large a repertory as possible. Because the marginal cost of additional consumption is zero, it is no less expensive for BMI to provide access to a more limited repertory of songs than to its full repertory of a million songs. Indeed, as discussed hereafter, a limited repertory license would undoubtedly be more expensive for BMI to provide because, among other things, of the additional cost of monitoring the holders of such licenses to ascertain if their use of BMI compositions exceeds the scope of their license.

Finally, BMI justifies pricing based on the GLA user's total entertainment expense as a convenient, inexpensive and reliable way of providing a rough measure of the benefit conferred by the music rights licensed. The only information necessary to administer the present pricing system is a GLA's annual figures for its entertainment expenses. Since these figures must be kept for tax purposes in any event, there is virtually no cost involved in gathering this data and it is likely to be reliable.

D. The Triple Nickel's Alternatives.

Triple Nickel acknowledges that there is no feasible way to create and maintain price competition between copyright holders in the GLA market. It asserts, however, that there are alternative forms of licensing which BMI could offer in addition to its current full repertory license which would involve less restraint on the GLA's freedom of choice and on the entry of additional performing right societies in the market. The Triple Nickel's first suggestion is that BMI offer a less-than-full repertory, or "mini" blanket, license as an alternative to its full repertory license and its per piece license. Second, the Triple Nickel urges that a license be offered that bases cost on a retroactive determination of the quantity of BMI music played each year and a "proxy", per performance price.

1. The "Mini" Blanket License.

The alternative form of license that was the primary focus of Triple Nickel's trial testimony and post-trial briefing was a limited repertory license based on a category of music, like "country and western". It also proposed a limited repertory license based on a family of music, like country, bluegrass, folk and gospel. In either event, the suggestion is that the price would bear the same relationship to the price for a full repertory license which the BMI compositions in the covered categories bears to the compositions in BMI's total repertory. For pricing purposes, BMI would categorize a limited sample of its songs in order to determine what percentage of BMI music fell into each field of music and this category percentage

would be periodically adjusted through sampling of the new songs that BMI constantly adds to its repertory.

The first problem with the Triple Nickel's suggestion is that the "mini" blanket licenses which it proposes would not meet its own needs. The music performed at the Triple Nickel includes compositions that have gained popularity in a variety of performance styles. Mr. William Ivey, Director of the Country Music Foundation and an expert in the identification of the styles of musical performance, testified that only about two-thirds of the music performed at the Triple Nickel had a country and western performance history, and, therefore, even if it were possible to categorize music based on the primary style in which such music has historically been performed, approximately one-third of the compositions performed at the Triple Nickel would fall outside the country and western category. Indeed, the Triple Nickel admits that the music it plays includes rock and roll, folk, bluegrass, and gospel, as well as country and western. It has suggested no "mini" blanket license which would authorize it to play all that it is in fact using.

More fundamentally, however, it is simply not feasible to categorize music for licensing purposes into such performance style labels. As Mr. Ivey explained, the method of categorizing musical compositions proffered by the Triple Nickel is in reality a categorization not of the music but the *style* in which the music is performed. Since there is insufficient information residing in the composition itself (that is, the score and lyrics) to determine the performance style,¹² to categorize a song based on score based on score and lyrics alone would be arbitrary. Moreover, any such categorization based on a study of performance history would be subject to disagreement. Frequently a musician will take a song historically popular in one style and perform it in a different style. And it is also common for a song which has gained popularity in one performance style to subsequently gain popularity in another style. For these reasons, a "mini" blanket licensing system would create intolerable uncertainty in the marketplace.

In addition, even if it were assumed for purposes of argument that there are GLA users whose licensing needs would be satisfied by a limited category license, obviously no one would opt for that form of license if the fee for it equalled or exceeded the fee for the full blanket license. Perhaps in recognition of this fact, Triple Nickel suggests that the Court decree a proportionately reduced price for "mini" blanket licenses. It tenders no persuasive rationale for doing so, however. The benefit derived from the use of BMI music will not vary materially depending upon whether a user

¹²As Mr. Ivey explained, of the six elements of music—tune, text, form, stress, tone, quality and duration—only the first three can be determined from the composition itself. The other elements reside in the performance.

is performing twenty different BMI songs from different categories each night or twenty songs from the same category. Moreover, the "mini" blanket license would necessarily cost more to administer than the full repertory license because the "mini" license would involve categorization costs, additional policing costs,¹³ and the costs of resolving, and of attempting to avoid, disputes over the scope of the license. For these reasons, there is no basis for an injunction requiring a proportionately reduced fee for a "mini" license. As the experts acknowledged, however, in the absence of such a decree, there is no reason to believe that BMI's charge for a "mini" blanket license would be less than its charge for a full repertory one.

In examining the alternatives that an antitrust claimant has proposed, the Third Circuit has described the comparative standard normally applied under rule of reason analysis as follows:

[T]he test is not whether the defendant deployed the least restrictive alternative. Rather the issue is whether the restriction actually implemented is 'fairly necessary' in the circumstances of the particular case, or whether the restriction 'exceeds the other limits of restraint reasonably necessary to protect the defendant.'

American Motor Inns, supra, 521 F.2d at 1248-49. The record in this case convincingly demonstrates that the full repertory blanket license system is "fairly necessary" to serve the relevant market and that "mini" blanket licenses are not a practical alternative.

2. *Alternative Pricing.*

The primary problem which the Triple Nickel has with the current practices of BMI is not with the form of its licenses but rather with the prices that it charges. It proposes alternative pricing schemes with features that are purportedly designed to overcome several restraints which it attributes to BMI's current pricing arrangement. First, the Triple Nickel objects to the current practice because it is not related to the amount of BMI music actually performed by the licensee. It proposes a use-based pricing approach. Second, the Triple Nickel argues that a price based on total entertainment expense illegally extends BMI's monopoly power because it charges for factors other than the actual benefit the GLA user derives from the blanket license. It proposes a pricing formula which utilizes the number of performances of BMI music, the number of listeners per performance, and a per performance or "per use" price. Finally, the Triple Nickel seeks to solve the problem caused by the absence of competitive restraints on BMI's pricing by requiring it to charge a "proxy", per use price.

¹³Among other things, the population of those whose songs have to be monitored would be substantially different. Once BMI issues a full blanket license it has no need to monitor the licensee's music. "Mini" blanket licensees, on the other hand, would remain within the monitored population.

In place of the current licensing agreement which fails to account for actual use, the Triple Nickel proposes that the price of a full repertory blanket license be based on the amount of BMI music actually performed, measured after the fact. It concedes that measuring use daily throughout the year would be impractical, so it has suggested a sampling system under which songs used at a GLA establishment would be logged by the licensee over a short period of time. Dr. Lamb, a computer and statistics expert, suggested that a sample of 150 songs would be sufficiently reliable. BMI would then use its computer to determine what percentage of the GLA's total song consumption belongs to BMI. This percentage and an estimate of the GLA's total performances during the year would provide the number of BMI performances for which it would be billed.

The first problem with this proposal for a per use price is a conceptual one. It fails to account for a significant part of the benefit provided by the BMI license. The inability of GLAs to identify in advance the compositions which will be played means that they need the right to perform all BMI music which the musician may ultimately select. Thus, with the full repertory blanket license the GLA purchases more than the right to play the BMI compositions which are actually performed; he also purchases immediate and unlimited access to BMI's entire repertory. As the Supreme Court observed in *CBS IV*, this makes the blanket license akin to a single product.¹⁴

The major difficulty with this proposed per use licensing feature, however, is a practical one, the increased costs associated with the sampling. Initially, there would be the expense of educating GLAs with respect to the necessity of taking the sample and the proper method of performing that task. Regardless of the effectiveness of this educational process, it is to be expected that some will fail to sample and others will sample improperly. Following up to secure a suitable sample from these GLAs will also involve expense. Even with respect to those GLAs who submit what appear to be appropriate samples there would have to be some system for at least spot checking their accuracy. Finally there would be the expense of determining which compositions listed on the logs are in the BMI repertory. While computers would materially aid this process, incomplete information on the logs would require human attention. Many songs have the same title, for example, and whether BMI is the copyright holder can often be determined only by reference to the composer's name.¹⁵ The expense associated with each of these operations would be additional expense since BMI currently has no need to sample or monitor the music performed by

¹⁴See notes 7 and 9, *supra*.

¹⁵For example, a song titled "Rose Colored Glasses" was included among the logs of songs performed at the Triple Nickel. BMI has over thirty songs in its repertory with that title, yet the currently most popular song by this title belongs to ASCAP.

its GLA licensees.¹⁶ No attempt has been made to estimate the additional cost of a per use system but one can say with confidence that it would be substantial.

In addition to the disadvantage of increased costs, I am unable to say on this record that institution of per use pricing would materially effect the restraints which have been identified in the market. Such a system would not provide a constraint on BMI's pricing by giving a GLA control over the quantity of BMI music used and paid for. GLAs do not know which compositions belong to which organization and providing complete lists of BMI's repertory to educate them would require the equivalent of a two thousand page phonebook, with frequent periodic supplements to keep it current. And, even if the GLA owner were motivated enough to purchase and work with such a cumbersome publication, it is the musician, and not the GLA owner, who actually decides which compositions will be performed.

It is, of course, true that under a per use pricing scheme a GLA could reduce its *total* consumption of music in order to reduce the amount paid during the period covered by the license. But so long as the unit price in each new license is controlled by the performing rights societies, nothing in this record demonstrates that the per use pricing system by itself would serve as a constraint on BMI's power over price.¹⁷

It is only in the area of the potential barrier to entry that I perceive the possibility of a beneficial effect from a per use pricing approach. Under such a system, if and when a new performing rights society attempts to enter this market, presumably by gaining rights to compositions which would otherwise belong to existing organizations, its licensing fees would be reflected in correspondingly reduced charges by the existing organizations and, as noted above, one would expect this fact to lessen GLA resistance to that entry. As discussed in more detail in Section VII, however, one cannot tell from this record the significance of that barrier or, indeed, whether such an entry would be feasible under either pricing scheme.

Given the additional cost of per use licensing and the fact that the only potential benefit from its adoption is a highly speculative one, I decline to require its adoption by BMI.

¹⁶While it is true that BMI does require logging of its radio licensees, that logging is for the purpose of determining the payment schedule to its affiliates, rather than determining licensing fees. Thus, there is little incentive for radio stations to manipulate the logs to reduce their licensing costs. Moreover, logging by GLA owners would not be equivalent to logging by radio stations because radio stations have much easier access to the necessary information—both title and name of writer—for determining whether the composition is BMI's.

¹⁷Because BMI has equivalent control over price under a per use approach, the anti-competitive effect of potential surplus revenue for all copyright owners that, as discussed in the text preceding note 10, *supra*, can be achieved through pooling is unlikely to be changed by this alternative means of pricing.

In combination with per use pricing, the Triple Nickel asks the Court to impose a "proxy price" to be charged for each performance of a BMI composition.¹⁸ This request brings us to the heart of this matter. The core problem is here, of course, that normal competition does not and cannot operate in this market to establish the price which GLAs will pay for the right to perform music. The Triple Nickel insists that this means the Court must step in to set an appropriate price. I decline to do so for several reasons.

First, the Triple Nickel has not suggested an adequate rationale for adopting any of its suggested means of determining that price. While price regulation pursuant to legislative directive may well be the ultimate answer to the absence of price competition in this market, the Triple Nickel's terse suggestion in its brief that the GLA price be keyed to the \$100 "blanket price" for the performance of recorded music in bars and clubs suggested by House Resolution 1805 was not supported by any evidence or rationale. The other proposal suggested by Triple Nickel in its post-trial briefing is that the Court look to the price charged by BMI to WAMS, a local Wilmington A.M. radio station, for the right to perform BMI music. The proposal does have the virtue that this proxy price is one set in a market where there is negotiating power on both sides. But those negotiations occur in a materially different market and the Triple Nickel has not even attempted to articulate an explanation of why those negotiations would provide a rational basis for pricing in the GLA market. Indeed, the market most like the GLA market in which prices are nevertheless set by negotiations between parties having market power is the hotel-motel owner's market. BMI negotiates rates in this market with a national trade association. The Triple Nickel does not rely on those rates, however, because they would appear to result in a higher price than it is now paying.¹⁹

Triple Nickel apparently favors the WAMS approach because it is said to be a better measure of the benefit conferred by the use of a BMI copyright than BMI's current rate based on total entertainment expense. Total entertainment expense is said to "add-on factors", like the populari-

¹⁸As noted above, the price formula proposed includes in addition to the "proxy price" for the value of one composition, an approximate number of BMI compositions used annually by the establishment and the average number of listeners by the establishment.

¹⁹Actually, it is not clear that the application of the WAMS rates would result in the Triple Nickel paying a significantly lower fee for BMI music. Under its formula the Triple Nickel maintains that it would only pay \$177 per year rather than \$400 per year that BMI is currently charging. But that fee is arrived at by assuming that only 32 percent of the music performed in the Triple Nickel is in the BMI repertory. If 63 percent, which is the percentage of BMI performances at the Triple Nickel during the one month period defendants logged their performances, is used, however, the amount of the proposed fee becomes \$348.47. It is nevertheless true that the Triple Nickel's total payments to performing rights organizations would be less if both BMI and ASCAP were required to charge the WAMS rate per use. The maximum total price for the Triple Nickel would be \$553; to the extent a greater percentage of this amount went to BMI, the percentage going to ASCAP would be reduced.

ty of the musician playing the song, that are not directly derived from the product, i.e., the musical composition provided by BMI. The WAMS proxy price formula, on the other hand, is said to be geared to the number of listeners enjoying the music.²⁰ I am not convinced, however, that requiring BMI's price to be based on audience size will produce a significantly more competitive price or alleviate any of the restraints on commerce which have been identified as inherent in BMI's current licensing practices.²¹

But there is a more fundamental problem with the "proxy price" approach. This is not a case where the Court is being asked to change market practices so that competition will function more effectively in the future. Rather, the Court is being asked to make up for the absence of competition in the relevant market by tying the prices in that market to prices in a different market where competition does exist. Such action would, I believe, be both unprecedented and unwise. Markets are unique as well as continually changing. Frankly, I am not quite sure how one would go about finding a market which would supply a price approximating the price competition would currently produce in another market. But if one were fortunate enough to find one, it would be unrealistic to assume that the markets involved would maintain their current relationship for very long.

There are two other possible remedies for the unique problem which the Triple Nickel here brings to the Court: concentration of market power on the buyer's side of the market of the kind which has occurred in the hotel and motel market, or some form of continuing regulation which will fix and modify prices in light of the present and future conditions in *this* market. The first remedy I am obviously unable to prescribe. The second is one that this Court is not suited to administer. If Congress sees fit to occupy this field, I am confident it can make a more rational assignment of the task.²² As Judge Kaufman recently observed in a Section Two context, "[J]udicial oversight of pricing policies would place the courts in a role akin to that of a public regulatory commission. We would be wise to decline that function unless Congress clearly bestows it upon us." *Berkey Photo, Inc. v Eastman Kodak Co.*, 603 F.2d 263, 294 (2d Cir. 1979).²³

²⁰As I understand it, the WAMS rate provides a per listener price because it is based on the station's advertising revenues which in turn reflect audience size.

²¹The Triple Nickel at times also seems to object to the current licensing system because it allows for price discrimination based on ability to pay. But the alternative formula it proposes also discriminates in a way because it includes the average number of listeners; GLAs using the exact same product would pay different prices depending on the size of the audience.

²²See Comment, 87 Yale L.J. 783 (1978) (proposing public regulation of the licensing of musical performing rights).

²³A final alternative proposed by Triple Nickel is the issuance of royalty free licenses to GLAs. The basic rationale is that since the present GLA alternative has anticompetitive con-

V. THE COPYRIGHT MISUSE CLAIM.

[3] Regardless of whether various aspects of BMI's current pricing system constitute restraints of trade objectionable under the antitrust laws, they are also subject to scrutiny under the copyright misuse doctrine.²⁴ I conclude, however, that the Triple Nickel's case fares no better under copyright misuse analysis.

The Triple Nickel maintains that BMI's practice of basing its license fee on entertainment expense unlawfully extends the scope of its lawful copyright monopolies. As already noted, it objects to entertainment expense because it contains "add-on" factors; it includes the popularity of the musician and it reflects not only the contribution of the music in BMI's pool, but that of all music performed.²⁵ In support of its argument it relies primarily upon *Zenith Radio Corp. v. Hazeltine Research, Inc.*, 395 U.S. 100, 89 S.Ct. 1562, 23 L.Ed.2d 129 (1969).

In the *Zenith* case, Zenith asserted a patent misuse defense against an infringement claim. The contested licensing agreement allowed Zenith to use all of Hazeltine's radio and television patents for a fee based on a percentage of Zenith's total sales. The court concluded that such an arrangement might constitute patent misuse, distinguishing a similar earlier case, *Automatic Radio Mfg. Co. v. Hazeltine Research*, 339 U.S. 827, 70 S.Ct. 894, 94 L.Ed. 1312 (1950), in which it had found nothing "inherent" in a patent arrangement based on a percentage of total sales which illegally extended the monopoly conferred by the patent. On remand, the District Court in *Zenith* was to be guided by the Court's statement that "If convenience of the parties rather than patent power dictates the total sales royalty provision, there is no misuse of the patents and no forbidden conditions attached to the license." *Zenith*, 395 U.S. at 139, 89 S.Ct. at 1585.

Under the *Zenith* approach, the relevant issue here is whether the feature of BMI's licensing which bases the fee on a percentage of entertainment expenses rather than on a per use price times the number of BMI songs played is a product of the convenience of the parties or of a BMI ef-

sequences and BMI is losing money in the GLA market, there is no rational reason for BMI to license GLAs at all. In addition to the fact that royalty free licenses would not advance any objective of the anti-trust laws, I am persuaded that such a course of action would cause substantial enforcement problems for BMI. I agree with it that the issuance of such licenses to GLAs would have a "snowball effect" which would cause substantial resistance to licensing in other markets where BMI does make a profit.

²⁴Copyright misuse and antitrust analysis in this area are not necessarily coextensive. "[I]f there was . . . patent misuse, it does not necessarily follow that the misuse embodies the ingredients of a violation of either Section One or Section Two of the Sherman Act." *Zenith Radio Corp. v. Hazeltine Research, Inc.*, 395 U.S. 100, 140, 89 S.Ct. 1562 at 1585, 23 L.Ed.2d 129 (1969). But see *CBS IV*, 441 U.S. at 28-9, 99 S.Ct. at 1567 (Stevens, J. dissenting) (discussing *Zenith* in the same context as block booking cases involving antitrust violations).

²⁵See Sullivan, *Antitrust*, § 159 at 462.

fort to extend its monopolies beyond their legal boundaries. The evidence on this issue weighs in BMI's favor. The record establishes that the percentage of entertainment expense approach is a simple and convenient one for both parties because it utilizes reliable data collected and maintained for other purposes. It further establishes that a pricing system based on a per use price times the number of BMI songs played would require the gathering of additional information which would be substantially more costly while substantially more susceptible to manipulation. Further, we know that in another market in which BMI customers have substantial bargaining power, the hotel-motel market, the negotiated licenses provide for fees based on entertainment expense. Finally, the record fails to persuade me that as a practical matter BMI's current approach enables it to abuse its monopoly power more easily than would be the case if it determined a per unit price and charged on the basis of BMI plays. Accordingly, I perceive no motive for BMI coercing use of the former in lieu of the latter. Under these circumstances, it is more likely than not that the percentage of entertainment expense approach arose and exists as a matter of the convenience of the parties.

VI. THE SECTION ONE CONSPIRACY CLAIMS.

[4] The Triple Nickel also asserts that BMI has engaged in two conspiracies, apparently arguing that both alleged conspiracies constitute restraints of trade violating Section One of the Sherman Act. From the evidence presented at trial, I find insufficient basis to conclude that either conspiracy exists.

[5, 6] First it is alleged that BMI and ASCAP have agreed to stabilize prices and preclude competition in the GLA market. Proof of an express agreement is not required to find conspiracy under the Sherman Act. *Interstate Circuit v. United States*, 306 U.S. 208, 59 S.Ct. 467, 83 L.Ed. 610 (1934); *Sweeney & Sons, Inc. v. Texaco*, 637 F.2d 105, 111 (3d Cir. 1980). Consciously parallel business behavior combined with other circumstantial evidence may support an inference of an agreement. *Schoenkopf v. Brown & Williamson Tobacco Corp.*, 637 F.2d 205 (3d Cir. 1980). To prove consciously parallel behavior, however, an antitrust claimant must show not only that the alleged co-conspirators' behavior was parallel and that they were aware of each other practices, but also that their awareness was an element in their decisional process. *Schoenkopf*, 637 F.2d at 208. The Triple Nickel alleges that BMI and ASCAP engage in and are aware of similar practices such as offering a full repertory blanket license which does not depend on music used and failing to log GLA music for purposes of distributing royalties to affiliates. Assuming awareness of these and other similar practices, there is insufficient evidence to persuade me that this awareness affected BMI's decisionmaking process.

Even if consciously parallel behavior had been established, however, in order to prove an antitrust violation the Triple Nickel would still have to prove that (1) BMI acted in a manner which, in the absence of a conspiracy, would be contrary to its economic interests and (2) that BMI had a motive to enter such an agreement. *Schoenkopf*, 637 F.2d at 208. Yet, there is a legitimate business justification for every BMI action the Triple Nickel attacks. For example, although BMI currently may be losing money in its GLA operation,²⁶ BMI's explanation of the "snowball effect" reason for licensing GLAs at a loss is at least as plausible as any anti-competitive purpose. And BMI letters to GLA users explaining that they are also likely to require an ASCAP license are a legitimate response to inquiries whether a BMI license alone is all that is needed. Further, I find no record support for the suggestion that the alleged agreement to preclude competition in the GLA markets is motivated by common interest in permitting resources to be concentrated in the more lucrative broadcast licensing market.

The second alleged conspiracy is an illegal agreement between BMI and its affiliates to initiate "factually inadequate" copyright infringement actions in order to coerce GLAs into accepting blanket licenses. This "conspiracy"²⁷ claim is premised upon the allegation that BMI brings infringement suits based upon insufficient evidence. Not only has the Triple Nickel failed to prove that BMI engages in such a practice, but there is also no evidence in this record from which a trier of fact could infer an agreement, tacit or otherwise, between BMI and its affiliates pertaining to the circumstances under which copyright infringement will be initiated.

VII. SECTION TWO CLAIMS.

[7, 8] The Triple Nickel also challenges as violations of Section Two of the Sherman Act all of BMI's practices discussed above in the context of Section One and copyright misuse. In order to establish monopolization in violation of Section Two, an antitrust claimant must establish not only monopoly power, but also conduct by the monopolist which prevents or impedes competition. *See generally Berkey Photo, Inc. v. Eastman Kodak Co.*, 603 F.2d 263, 272-275.²⁸ The parties did not directly address whether

²⁶It is somewhat anomalous that the Triple Nickel suggests here that BMI keep its prices artificially low to impede other potential competition, when Triple Nickel's major claim is based on the notion that BMI's prices are too high.

²⁷Normally a conspiracy in restraint of trade is between competitors. BMI does not compete with its affiliates. "Unilateral action, no matter what its motivation, cannot violate §1." *Sweeney, supra*, 637 F.2d at 110.

²⁸One commentator has suggested that the most appropriate antitrust analysis of BMI's (and ASCAP's) practices would be through a fact-focused inquiry applying Section Two principles to the market of performing rights organizations in which BMI operates. *See Comment*, 91 Harv.L.Rev. 488, 496 (1977). The Triple Nickel's primary focus in this litigation, however, has not been on building a record of economic evidence of exclusionary effects of BMI's practices on potential competitors.

BMI's percentage share of the performing rights market established the requisite monopoly power. It nevertheless seems clear that BMI's position as one of two dominant sellers in a market where buyers must deal with both sellers gives it the requisite economic power—i.e. the power to control price—to constitute monopoly power under Section Two.²⁹ I conclude, however, that the Triple Nickel has failed to prove that any of the challenged BMI practices were either motivated by a purpose of, or had the effect of, impeding potentially competing performing rights organizations. Therefore, Triple Nickel's monopolization claims must fail.

The suggestion that BMI's method of pricing its GLA license may erect barriers to entry by competing performing rights organizations because it is not related to the quantity of BMI music used³⁰ has already been mentioned in the Section One discussion.³¹ As noted in that discussion, however, there is no economic evidence in this record to assess the potential significance of such a barrier if it exists.

Moreover, not only was there an absence of economic evidence of anti-competitive effects of BMI's license practices on potentially competing organizations, but the thrust of the economic testimony that was presented was that this market required very large sellers. The economic experts seemed to agree that because of the unique transaction costs in this market, organizations the size of BMI were a necessity. Indeed, as noted earlier, the Triple Nickel's expert, Dr. Cirace, urged that the only rational structure for this industry would be one involving a single licensing operation. Given the inherent barriers to entry by other organizations that this testimony suggests, it would be inappropriate to conclude that the speculative barriers created by non-used-based pricing or any other feature of BMI's license constitute anticompetitive effects.

The alleged conspiracy between BMI and ASCAP discussed above as a possible Section One violation in restraint of trade might also constitute a Section Two conspiracy to monopolize. Even if there was sufficient evidence of the existence of such a conspiracy (which, as discussed above, there is not), a Section Two conspiracy would also require a specific intent to monopolize. See *American Tobacco Co. v. United States*, 328 U.S. 781, 809, 66 S.Ct. 1125, 1138, 90 L.Ed. 1575 (1946). I have found no evidence in this record of a specific intent to monopolize by BMI.³² Finally, even if

²⁹"Monopoly power has been defined as power to control price or to execute competition." Sullivan, *Antitrust*, § 9.

³⁰The Triple Nickel apparently also suggests that BMI's failure to offer a mini-license alternative (based on a limited category of music) impedes potential competitors. I find no basis in the record to support this questionable assertion.

³¹See pp. 20–21, 32–33.

³²A Triple Nickel claim based on "attempted" monopolization must also fail because, although it does not require evidence of monopoly power, it does require a specific intent to monopolize. See, e.g., *Walker Process Equip., Inc. v. Food Machine Corp.*, 382 U.S. 172, 86 S.Ct. 347, 15 L.Ed.2d 247 (1965).

any of the acts alleged to be part of the Section One conspiracies are viewed as unilateral action engaged in by BMI, there is no basis here for conclusion that BMI has abused its monopoly power. With respect to all of these alleged acts, I have concluded either that there is an absence of anticompetitive effect and purpose (e.g. collecting license fees at all in a GLA market where current costs slightly exceed revenues); or that there is insufficient evidence to conclude that the practice exists (e.g. "factually inadequate" lawsuits).

VIII. CONCLUSION.

In defending against a copyright infringement action, the Triple Nickel has contended that a number of licensing practices of BMI in the GLA market — primarily its use of a full repertory blanket license in combination with a price based on total entertainment expenses — are illegal. It has challenged these practices as violations of Sections One and Two of the Sherman Act and as copyright misuse. I have concluded that it has failed to prove any of these claims. Therefore, judgment will be entered in favor of BMI on its copyright infringement claim and against the Triple Nickel on its antitrust counterclaims.

SUBMIT ORDER.

BROADCAST MUSIC, INC. v. REGAL BROADCASTING CORPORATION

No. 80-CV-450

(United States District Court, N. D. New York — Decided March 3, 1981)

212 USPQ 624

Action by Broadcast Music, Inc., against Regal Broadcasting Corporation, for copyright infringement. On Plaintiff's motion to strike defendant's affirmative defenses. Motion granted.

COPYRIGHTS

1. Pleading and practice in courts — Complaint

Requirement of short and plain statement of claim, as provided in Fed.R.Civ.P. 8(a), applies to actions for copyright infringement.

2. Rights embraced in copyright

17 U.S.C. 106 sets forth list of exclusive rights in copyrighted works to do or to authorize, among other things, in case of literary, musical, dramatic and choreographic works, pan-

tomimes and motion pictures, and other audiovisual works, to perform copyrighted work publicly; this exclusive right is not limited by defendant's asserted right to publicly perform plaintiff's musical compositions obtained by defendant either by purchase or by receipt of promotional phonorecord from its manufacturer or distributor; rights so granted upon compliance with statute are separate and independent; they may be retained by owner or disposed of by him to others either singly or in their entirety, as his interests dictate.

3. Jurisdiction of courts—Copyrights

Claim that plaintiff's right to publicly perform copyrighted musical compositions has been infringed upon by defendant's radio broadcast of these works is justiciable in federal district court.

4. Infringement—In general

Doctrine of fair use, contained in 17 U.S.C. 107, offers means of balancing exclusive right of copyright holder with public's interest in dissemination of information affecting areas of universal concern, such as art, science, history, or industry.

Paul J. Laudato, and Tabner, Carlson, Daffner & Farrell, both of Albany, N.Y., for plaintiff.

James P. Walsh, Albany, N.Y., for defendant.

MCCURN, District Judge. Plaintiff has moved pursuant to Rule 12(f) of the Fed.R.Civ.P. to strike the affirmative defenses set forth in defendant's answer on grounds that they are insufficient as a matter of law, are not proper defenses to a claim of copyright infringement, and are a sham.

Plaintiff's action arises under 17 U.S.C. §101, et. seq., specifically, 17 U.S.C. §§106(4), 107. Jurisdiction is conferred pursuant to 28 U.S.C. § 1338(a).

The gist of the complaint is that defendant, a commercial radio station, infringed upon plaintiff's public performance rights in twenty-five (25) musical compositions by broadcasting these songs on its radio station.

Defendant in its first affirmative defense alleges an inability to answer the complaint because of plaintiff's failure to separately state and number the claims made by plaintiff.

[1] The requirement of a short and plain statement of the claim, as provided in Rule 8(a), applies to actions for copyright infringement, *April Prod., Inc. v. Strand Enterprises, Inc.*, 79 F.Supp. 515, 77 USPQ 155 (D.C.N.Y. 1948); *Wright & Miller, Federal Practice & Procedure*, §1237 (1969).

Rule 8 of the Federal Rules of Civil Procedure states in subparagraph (e)(2), in pertinent part, that:

A party may set forth two or more statements of a claim or defense alternately or hypothetically, *either in one count or defenses or in separate counts or defenses* * * * * A party may also state as many separate claims or defenses as he has regardless of consistency and whether based on legal, equitable, or maritime grounds. * * * (emphasis added).

Here, the complaint breaks down plaintiff's claim into twenty-five (25) itemizations which are presented in an easily-read table. The Court finds that the complaint complies with the strictures of Rule 8.

Defendant's second affirmative defense asserts defendant's absolute right to publicly perform plaintiff's musical compositions allegedly obtained by defendant either by purchase or by receipt of a promotional phonorecord from the manufacturer or distributor thereof.

In response, plaintiff alleges that it was assigned only the public performance rights of said musical compositions and that it does not have any rights to reproduce copyrighted works in phonorecords or to distribute said phonorecords to the public by sale or transfer.

Plaintiff maintains that the right to publicly perform a copyrighted work is an exclusive right included in the "bundle of rights" set forth in 17 U.S.C. §106 and existing separately and independently from the other rights therein contained.

[2] 17 U.S.C. §106 sets forth a list of "exclusive rights in copyrighted works to do or to authorize", among other things, "(4) in the case of literary, *musical*, dramatic and choreographic works, pantomimes and motion pictures and other audiovisual works, to perform the copyrighted work publicly." (emphasis added). This exclusive right allegedly possessed by plaintiff is not limited in the manner defendant has asserted in his second affirmative defense.

"* * * the rights so granted upon compliance with the statute are separate and independent. They may be retained by the owner or disposed of by him to others either singly or in their entirety, as his interests dictate." *Schwartz v. Broadcast Music, Inc.*, 180 F.Supp. 322, 329, 124 USPQ 34, 39-40 (S.D.N.Y. 1959).

[3, 4] Finally, a claim that plaintiff's right to publicly perform said copyrighted musical compositions has been infringed upon by defendant's radio broadcast of these works is justiciable in this Court. As the Supreme Court noted in *Twentieth-Century Music Corp. v. Aiken*, 422 U.S. 151, 158, 95 S.Ct. 2040, 2045, 45 L.Ed.2d 84, 186 USPQ 65 (1975), with the advent of commercial radio, "it was soon established in the federal courts that the broadcast of a copyrighted musical composition by a commercial radio station was a public performance of that composition for profit and thus an infringement of the copyright if not licensed." See also *Associated Music Publishers v. Debs Mem. Radio Fund*, 46 F.Supp. 829, 54 USPQ 461 (1942), *aff'd*, 141 F.2d 852, 61 USPQ 161 (2d Cir.), *cert. denied*, 323 U.S. 766, 65 S.Ct. 120, 89 L.Ed. 613, 63 USPQ 358 (1944).¹

¹It should be noted that the doctrine of "fair use" contained in 17 U.S.C. § 107 which "offers a means of balancing the exclusive right of a copyright holder with the public's interest in dissemination of information affecting areas of universal concern, such as art, science, history, or industry" is inapplicable to this case. See *Meeropol v. Nizer*, 560 F.2d 1061, 1069, 195 USPQ 273, 278-279 (2d Cir. 1977).

Accordingly, plaintiff's motion to strike the affirmative defenses set forth in defendant's answer is granted.

IT IS SO ORDERED.

Danton **BURROUGHS** as Executor of the Will of John Coleman Burroughs, Deceased, Hulbert Burroughs, Joanne Pierce Anselmo, James Michael Pierce, and Edgar Rice Burroughs, Inc., Plaintiffs, v. **METRO-GOLDWYN-MAYER, INC.** and United Artists Corporation, Defendants

No. 80 Civ. 2726 (HFW)

(United States District Court, S. D. New York—July 10, 1981)

519 F.Supp. 388. 215 USPQ 37

[See also 491 F.Supp. 1320, 210 USPQ 579, 44 C.O.Bull. 176 (S.D.N.Y., June 24, 1980); 636 F.2d 1200 (2d Cir.—*Affirmed without published opinion*, Sept. 9, 1980); 683 F.2d 610, 215 UDPQ 495, 46 C.O.Bull. 272 (2d Cir.—*Affirmed*, May 26, 1982)]

Copyright infringement action was brought arising out of 1981 version of the film "Tarzan, The Ape Man." The District Court, Werker, J., held that the 1981 remake was based substantially on the 1932 photoplay, as required by the license given to MGM authorizing the original photoplay and remakes.

Judgment for defendants.

1. Copyrights and Intellectual Property

Nonexclusive license held by motion picture company to use characters in a particular book was a license of a right under renewal copyright for purposes of termination provision of the 1978 Copyright Act. 17 U.S.C.A. § 304(c).

2. Copyrights and Intellectual Property

Appropriation of a well-delineated character contained in copyrighted works without the copyright proprietor's authorization constitutes an infringement.

3. Copyrights and Intellectual Property

Character "Tarzan" is delineated in a sufficiently distinctive fashion to be copyrightable.

4. Copyrights and Intellectual Property

Purported termination by heirs of Edgar Rice Burroughs of MGM's rights under a 1931 agreement allowing MGM to make photoplay of the Tarzan book was a nullity. 17 U.S.C.A. § 304(c).

5. Copyrights and Intellectual Property

The 1981 version of the film "Tarzan, The Ape Man" was based substantially on the 1931 photoplay as required by license given to MGM to produce remakes of the film.

Cowan, Leibowitz & Latman, P. C., New York City, for plaintiffs; Roger L. Zissu, Alan Latman, Carol F. Simkin, James Lightstone, New York City of counsel.

Townley & Updike, New York City, for defendants; Douglas C. Fairhurst, Neil J. Rosini, Robin Bierstedt, New York City, of counsel.

OPINION

WERKER, *District Judge*. Plaintiffs commenced this action against defendants for copyright infringement arising from defendant MGM's 1981 remake of the film "Tarzan, The Ape Man." This case is currently before the Court on cross-motions for summary judgement. The parties previously were before the Court on plaintiffs' application for a preliminary injunction restraining production of the film. That motion was denied in an opinion dated June 24, 1980. *Burroughs v. Metro-Goldwyn-Mayer, Inc.*, 491 F.Supp. 1320 (S.D.N.Y.1980), *aff'd*, 636 F.2d 1200 (2d Cir. 1980). Reader familiarity with that decision and the facts set forth therein will be assumed.

Plaintiff has moved for summary judgment on the issue of whether the 1931 agreement between Burroughs, Inc. and MGM granted a "right under" copyright. Defendant has cross-moved for summary judgment on the issues of whether the 1931 contract grants a "right under" copyright and whether the attempted termination of MGM's rights under § 304 of the Copyright Act, 17 U.S.C. § 304(c) was ineffective. Both parties contend that there are no questions of material fact as to any of these issues.

FACTS

Edgar Rice Burroughs, (the "author") wrote the first of his Tarzan works "Tarzan of the Apes," in 1912. In 1923, Burroughs transferred all of his rights including his copyright interest in "Tarzan of the Apes" to Edgar Rice Burroughs, Inc. ("Burroughs, Inc."). Burroughs Inc. was formed by the author in 1923 and is now beneficially owned by the individual plaintiffs, the Burroughs heirs. Since 1923, Burroughs, Inc. has functioned as the licensing entity for literary rights and copyrights in the author's works.

In April, 1931, MGM entered into an agreement with Burroughs, Inc. and the author individually, under which MGM acquired the right to use the Tarzan character and other characters appearing in the then existing works of the author in an original story to be created by MGM as a screenplay for a motion picture. MGM also acquired the right to produce remakes of the first film. The only limitation placed on this right was that

each remake had to bear the same title as the original MGM film and had to be based substantially on the first MGM photoplay, without material changes or material departures from the original MGM story line.

In 1932, MGM released its first Tarzan movie. The movie was based on an original MGM screenplay utilizing Tarzan and other characters created and developed in the books of Edgar Rice Burroughs. In 1959, MGM issued a remake of the film "Tarzan, The Ape Man."¹ On December 12, 1977, John Coleman Burroughs and Hulbert Burroughs, the two sons of the late author, served on Burroughs, Inc. a Notice of Termination of the renewal copyright interest that the family corporation held in the works of the author under the 1923 agreement. The notice was sent under section 304(c) of the new Copyright Act, 17 U.S.C. §304(c), and purported to terminate the Burroughs corporation's interest in the renewal copyrights transferred to it by the author in 1923. The notice listing 35 of the author's works was filed in the United States Copyright Office on March 6, 1978. The two sons each held a one-third termination interest in the author's copyrighted works, with the remaining one-third interest held by plaintiff's Pierce and Anselmo.

Marion T. Burroughs, a director and the chief operating officer of Burroughs, Inc., received the termination notice on behalf of Burroughs. She subsequently turned it over to the corporation's attorneys but neither she nor corporate counsel notified MGM of the purported termination of Burroughs, Inc.'s rights in the works of Edgar Rice Burroughs. MGM did not learn of the 1977 termination sent to Burroughs, Inc. until January 1980, after the termination purportedly became effective. By that time MGM already had commenced development work on the present "Tarzan, The Ape Man" film.

SUMMARY JUDGMENT

On a motion for summary judgment, a court's function is not to adjudicate issues of fact, but to "determine whether there are issues to be tried." *SEC v. Research Automation Corp.*, 585 F.2d 31, 33 (2d Cir. 1978), (quoting *American Manufacturers Mutual Insurance Co. v. American Broadcasting-Paramount Theatres, Inc.*, 388 F.2d 272, 279 (2d cir. 1967), *cert denied*, 404 U.S. 1063, 92 S.Ct. 737, 30 L.Ed.2d 752

¹The 1959 film was the subject of litigation before the California courts. The issue involved in that case was whether the 1959 film was based substantially upon the same story used in the 1932 photoplay and whether the 1959 film contained material changes or material departures from the 1932 film. The Court held that differences and changes that were the result of updating, modernization and adapting the original story were not material or substantial in nature as long as the locus of the play, the order of sequence, the development of the plot, and the theme, thought and main action of the story are preserved." *Edgar Rice Burroughs, Inc. v. Metro-Goldwyn-Mayer, Inc.*, 205 Cal.App.2d 441, 23 Cal.Rptr. 14, 18 (1962).

(1972). In determining whether genuine issues of material fact exist, the Court must “resolve all ambiguities and draw all reasonable inferences in favor of the party against whom summary judgment is sought.” *FLLI Moretti Cereali v. Continental Grain Co.*, 563 F.2d 563, 565 (2d Cir. 1977). The burden is on the moving party to show the absence of dispute as to any material fact. *Id.* at 565. Viewing the facts in the light most favorable to the party opposing the various motions, it nevertheless appears that no genuine issue exists as to the material facts, and disposition of these issues by summary judgment is warranted.

RIGHT UNDER COPYRIGHT

Analysis of the issue of whether the rights granted to MGM under the 1931 agreement constitute rights under copyright within the meaning of 17 U.S.C. §304(c) must begin with an examination of the agreement itself and of the statute under which plaintiffs attempted to terminate MGM’s contractual rights.

The rights conveyed to MGM were set forth in ¶ 1 of the agreement. It provides:

Burroughs hereby gives, grants sell, assigns, transfers and sets over unto [MGM] the right to create and write an original story, using as one of the characters therein, the character of “Tarzan”, which character was originally created by the author and including also, at the discetion of [MGM], all or any of the other characters used in all or any of the stories heretofore written by the author. . . .

DX A, ¶ 1.

Section 304(c) of the Copyright Act permits an author or his heirs to terminate transfers and licenses covering extended copyright renewal terms. The section provides:

In the case of any copyright subsisting in either its first or renewal term on January 1, 1978, . . . the exclusive or nonexclusive grant of a transfer or license of the renewal copyright or any right under it, executed before January 1, 1978, . . . is subject to termination . . .

It is undisputed that the 1931 agreement between Burroughs, Inc. and MGM granted MGM a nonexclusive license to use the character Tarzan and other characters from the author’s works. The agreement did not transfer a copyright or the renewal copyright in Burroughs “Tarzan of the Apes” to MGM. Indeed, it was understood that MGM would obtain its own copyright in the film it developed. The agreement further provided

that the author would review MGM's screenplay to determine whether it in any way infringed upon or conflicted with his books.²

[1] Section 304(c) provides that with respect to copyrights subsisting in their renewal term on January 1, 1978, the exclusive or nonexclusive grant of a license of any right under the renewal copyright is subject to termination in the manner specified. In this case, Burroughs, Inc.'s copyright in "Tarzan of the Apes" was in its renewal term in 1978. MGM held a nonexclusive license to use the Tarzan characters. Thus the only question is whether this license was a right under the renewal copyright. For the reasons that follow, I conclude that the license was of a right under the renewal copyright.

The renewal copyright held by Burroughs, Inc. was in the literary work "Tarzan of the Apes." The copyright covered the work as an entirety. It cannot be said that such a copyright contemplates protection of only the plot, leaving the characters free for public exploitation for, as in the case of plays, the "characters and sequence of incident [are] the substance." *Nichols v. Universal Pictures Corp.*, 45 F.2d 119 (2d Cir. 1930), *cert. denied*, 282 U.S. 902, 51 S.Ct. 216, 75 L.Ed. 795 (1931); *see Filmvideo Releasing Corp. v. Hastings*, 509 F.Supp. 60 (S.D.N.Y.1981). As noted by Judge Learned Hand in *Nichols*, however, it is only well-developed characters that are subject to copyright protection.

[2] Thus, in the case at bar, characters that are well-delineated in the Tarzan works of Edgar Rice Burroughs are protected from infringement by the copyright in the work itself. Since appropriation of a well-delineated character contained in copyrighted works without the copyright proprietor's authorization would constitute infringement, it must be concluded that the grant by which one acquires the right to use the character constitutes a right arising under copyright within the meaning of §304(c).

[3] The only issue remaining is whether any of the characters MGM was entitled to use under its license were sufficiently delineated by the author to be copyrightable. It is beyond cavil that the character "Tarzan" is delineated in a sufficiently distinctive fashion to be copyrightable. *See Edgar Rice Burroughs, Inc. v. Mann Theatres*, 195 U.S.P.Q. 159 (C.D.Cal.1976); Brylawski, *Protection of Characters—Sam Spade Revisited*, 22 Bull. Copyright Soc'y 77, 83-84 (1974). Tarzan is the ape-man. He is an individual closely in tune with his jungle environment, able to communicate with animals yet able to experience human emotions. He

²Based upon the foregoing provisions of the 1931 agreement, this court opined, on the motion for a preliminary injunction, that the 1931 agreement was not intended to, and did not purport to, grant MGM any copyright interest. The Court, however, held that even if MGM's rights under the 1931 agreement were subject to termination under §304(c) of the Copyright Act, the purported termination was a nullity because the Burroughs heirs did not comply with statutory procedures in effecting termination and, indeed, attempted to assert the right granted before the effective date of the statute.

is athletic, innocent, youthful, gentle and strong. He is Tarzan. Having found that the character Tarzan is copyrightable, I must conclude that the termination provisions of §304(c) of the Copyright Act of 1976 apply to MGM's license.

TERMINATION

[4] The events surrounding the purported termination of MGM's rights under the 1931 agreement are undisputed. The only issue of fact advanced by plaintiff in opposing this motion is the question of the heirs' knowledge of MGM's rights. On the motion for a preliminary injunction, however, the court found as a matter of law that the heirs should have known of MGM's rights under the 1931 agreement. The only other issues raised by plaintiff in opposing the defendant's motion for summary judgment on the termination question are those related to the proper interpretation of §304(c). These involve questions of law for the court to decide. For the reasons stated in my opinion dated June 24, 1980, I hold that the purported termination by the Burroughs heirs of MGM's rights under the 1931 agreement was a nullity.

PLAINTIFF'S MOTIONS

While the motions for summary judgment were under consideration by the court, plaintiff moved by order to show cause for an order enjoining defendants from releasing and distributing the 1981 MGM film, "Tarzan, The Ape Man," on the scheduled July 24, 1981 release date pending disposition of this action on the merits, whether by way of summary judgment or trial on the merits. Plaintiff also moved by order to show cause for an order pursuant to Fed.R.Civ.P. 37 compelling defendants to produce for viewing MGM's 1981 film, "Tarzan the Ape Man" and related publicity materials. In addition, plaintiff's sought leave to amend their complaint to add claims for trademark infringement and unfair competition.

A hearing on these motions was held on July 2, 1981. At that time, the court informed the parties that it had decided the motions for summary judgment as discussed above and that a formal opinion would follow. The court also stated that, in its view, the only issue left in the case was that of whether MGM had breached its 1931 agreement with Burroughs, Inc. in its 1981 remake of "Tarzan, The Ape Man." The court stated that it deemed the complaint to have been amended to assert a claim for breach of the contract and indicated that it would not grant a motion to amend on the trademark infringement and unfair competition claims. The motion for leave to amend the complaint to add a claim for trademark infringement and unfair competition is hereby formally denied.

With the agreement of the parties, it was decided at the hearing that the best way to decide the contract claim would be for the court to view the 1931, 1959 and 1981 films to examine whether the 1981 film was based substantially on the 1931 film and whether it contained material changes or departures from the 1931 film. Tr. at 13-14, 17. Based upon defendant's representation at the hearing that MGM's "Tarzan, The Ape Man" films, including the 1981 film, would be available for viewing by plaintiffs and the court and that publicity materials would be made available to plaintiffs by MGM, the motion for an order compelling production of these materials is hereby dismissed as moot.

BREACH OF CONTRACT

The 1931 agreement provides as follows:

. . . Metro agrees . . . that all 'remakes' of the first photoplay produced by it hereunder, as well as all other photoplays produced by it hereunder subsequent to the making of said first photoplay, shall be based substantially upon the same story as that used by Metro in connection with said first photoplay and that in such subsequent remakes and/or additional photoplays there will be no material changes or material departures from the story used in connection with said first photoplay. . . .

Ex. A to Plaintiffs' Motion for Summary Judgment, ¶ 14.

In deciding whether disposition of the breach of contract claim by way of summary judgment is appropriate, I must first determine whether the language of this provision is ambiguous so that resort to other evidence to ascertain its meaning is required. *Heyman v. Commerce & Industry Insurance Co.*, 524 F.2d 1317, 1319-20 (2d Cir. 1975). After examining this provision as well as the remainder of the 1931 agreement, I must conclude that the language used in this provision of the contract is clear and unambiguous and that there is no conflict between this provision and other provisions of the agreement. See *Edgar Rice Burroughs, Inc. v. Metro-Goldwyn-Mayer, Inc.*, 205 Cal.App.2d 441, 23 Cal. Rptr. 14, 18 (1962). I further conclude that the question of whether a breach of the contract occurred may be decided as a matter of law since, in my opinion, no reasonable jury could conclude that the film as edited is not based substantially on the 1931 photoplay and that there are material changes or departures from that film in the 1981 remake.

[5] After viewing the films in question, I must conclude for the reasons that follow that MGM's 1981 remake of the film "Tarzan, The Ape Man" is based substantially on the 1931 photoplay and that there are no material changes or material departures from the story used in that photoplay. My analysis will focus on the story line as well as the portrayal of the characters and their relationships.

The 1931 photoplay is based on the story of an explorer, James Parker, whose daughter Jane joins him in Africa. The movie opens with Jane's arrival and her father's decision shortly thereafter to set off on a safari in search of the fabled "elephants' graveyard" for ivory. In this film, Parker is portrayed as a strong man and Jane as his admiring daughter. There is a suggestion of sexuality in their relationship. The expedition consists of Parker, Jane, Parker's partner Harry Holt, and several natives. On the journey, the party is faced with nearly insurmountable struggles with nature. For example, Jane almost falls off a cliff in the scene of the party crossing the escarpment and Holt is nearly devoured by crocodiles as the party crosses a river on rafts. It is the scene where the party crosses the escarpment that Tarzan's cry is heard for the first time.

After the party crosses the river, Jane is terrorized by an attacking animal and Tarzan appears from the jungle to rescue her. He carries her off and at this point, Jane discovers that Tarzan is human. She gradually begins to trust him and they appear to fall in love. After a brief stay with Tarzan in which Jane seems quite content, she is found by her father and Holt. They are exceedingly distrustful of the ape-man. She rejoins the safari and the group sets out again for the elephants' graveyard. While enroute, the party falls prey to a tribe of pygmies and they are threatened with death when they are thrown into a pit with a huge gorilla. Tarzan, of course comes to their rescue. Holt, Parker, Jane and Tarzan then follow a wounded elephant to the elephants' graveyard where Parker dies. Jane decides to stay with Tarzan and Holt returns to civilization.

In the 1981 film, the story similarly opens with Jane's arrival at her father's camp in Africa. This time, however, Parker is a professional adventurer rather than an explorer. He is a strong man and a bit more eccentric than in the first film. Jane, though admiring, is more hostile towards her father. There again is an element of sexuality in their relationship. As in the 1931 photoplay, shortly after Jane's arrival, Parker, Holt, Jane and some natives set out on an expedition to find the elephants' graveyard. While on the journey, the group hears Tarzan's cry and in contrast to the 1931 film, this time Parker speculates that this is the famed 100 foot ape-man. Jane again is imperilled by wild animals enroute and rescued by Tarzan. Holt and Parker are highly distrustful of Tarzan as they were in the original film, but Jane again perceives that he is human. Although his initial encounter with Jane is brief, Tarzan clearly is fascinated by her. He later captures her while she is swimming in a river. She gets away from him, but is then attacked by a snake. As in the original photoplay, Tarzan comes to her rescue. It is at this point that Jane becomes enamored of Tarzan. After what seems to be a couple of days, Parker finally finds his daughter and she rejoins the safari. The group is soon attacked by an African tribe, however, and Tarzan comes to their rescue. Parker nevertheless dies at the hands of the ivory king and Jane and Tarzan leave Holt to live together in the wild.

While there are some differences between the films in the jeopardies and dramatic sequences employed, as well as in the emphasis accorded different elements of the story, they are insufficient to warrant the conclusion that this Tarzan movie is not based substantially upon the 1931 story. The use of the phrase "based substantially" contemplates some deviation from the original story. In addition, the fact that the contract prohibits only material departures and material changes demonstrates that changes and departures were in fact contemplated by the parties.

Plaintiffs argue that the changes and departures in the 1981 photoplay are material. Their principal contention is that the film is no longer suitable for young children. Considering the shift in social mores over the half century from 1931 to 1981, I simply cannot agree that a change of the nature complained of constitutes a material change from the 1931 photoplay. Indeed, the 1931 film itself contained scenes which for its time were rather suggestive. As noted by another court that has had occasion to interpret this contract, the contractual language contemplates variations "resulting from updating, modernizing and adapting the original story natural and inherent in, and concomitant with, the right to remake the first photoplay and the right to produce additional photoplays based on the original story." *Edgar Rice Burroughs, Inc. v. Metro-Goldwyn Mayer, Inc.*, 205 Cal.App. 441, 23 Cal.Rptr. 14, 18 (1962); see Ex. A to Plaintiff's Motion for Summary Judgment, ¶5. In addition, it appears that changes inherent in modernizing the film and making it saleable in today's market were even contemplated by Burroughs, Inc. In a letter dated November 17, 1970 from Robert M. Hodes, then vice president of Burroughs, Inc. to David Jacobsen, president of MGM Merchandising Corporation, concerning "possibilities" for production of a Tarzan motion picture, Hodes stated:

TARZAN doesn't die. What dies is the particular *creative approach* to the property. . . . [E]ven MGM has fallen into the same trap of imitating rather than innovating. . . . [W]hen times [change], [the] pictures [must] change. The world of the 1970's . . . cries out for the NATURAL MAN. . . . There's your next Tarzan cycle: A series of films dealing with a superb, natural man who rejects civilization in favor of a life in complete harmony with nature. . . . He creates his own values. . . . We are changing nothing of the thought of Edgar Rice Burroughs. This was his only theme. . . . The first four TARZAN novels [are] *the* best selling works of fiction in France. . . . We are selling these books not to children, but to adults—intellectuals, university students. . . . I want to do the next film with MGM. Essentially, I am talking more of the merchandising business than the film business, for a TARZAN picture for adults is nothing more than a wild merchandising idea. . . .

Ex. 19 to Defendant's Motion for Summary Judgment (emphasis in original).

Since the overall theme of the 1981 film, development of the plot, order of sequence and locus of the 1981 photoplay as edited conform to the 1931

photoplay, I can only conclude that the storyline in the 1981 film is based substantially on the 1931 film and does not contain material departures or changes from that photoplay.

THE MOTION FOR A PRELIMINARY INJUNCTION

By the order to show cause dated June 23, 1981, plaintiffs requested preliminary injunctive relief restraining release and distribution of the 1981 film pending resolution of this case on the merits. In view of the court's determination that the motions for summary judgment did not dispose of all issues in the case, plaintiffs' motion for a preliminary injunction enjoining release of the film pending a resolution on the merits must be deemed to continue. In view of my decision on the merits of this action, the motion for an injunction restraining defendants from releasing the 1981 film pending resolution of the merits of this action is hereby dismissed as moot. In addition, since I have concluded that the 1981 film as edited is based substantially on the 1931 film and does not contain material changes or material departures from the 1931 film, an injunction permanently restraining release and distribution of the film will not be issued. Finally, no stay pending appeal will be granted.

SO ORDERED.

Leonard H. **BURST** and Dorothy Burst, husband and wife; James Davis and Douetta Burst Davis, husband and wife; William Haag; Frank J. Rebholz; Russell Haag; Leonard Burst, Jr.; Dr. I. Charles Barrale; Charles Rallo; Fred W. Haag; Joseph Gal and Thomas B. Curtis, Appellants, v. **ADOLPH COORS COMPANY**, a Colorado Corporation, Appellee

No. 80-1742

(United States Court of Appeals, Eighth Circuit—Submitted May 18, 1981—Decided June 10, 1981)

650 F.2d 930

[See also 503 F.Supp. 19, 44 C.O.Bull. 185 (E.D. Mo., June 17, 1980)]

Rejected applicant for beer distributorship brought action against brewer to recover damages on basis of promissory estoppel and unjust enrichment. The United States District Court for the Eastern District of Missouri, John K. Regan, Senior Judge, 503 F.Supp. 19,

granted summary judgment in favor of the brewer, and the rejected applicant appealed. The Court of Appeals held that: (1) published distributor selection guidelines did not constitute an offer to form a distributorship upon which a suit alleging promissory estoppel could be based; and (2) having failed to present specific facts challenging truthfulness of statements in brewer's affidavit in support of its motion for summary judgment stating that information in distributorship application was of no use or value to it, rejected applicant could not recover from the brewer on theory of unjust enrichment.

Affirmed.

1. Estoppel

Essential element of promissory estoppel is that the defendant has made a binding offer in the form of a promise.

2. Estoppel

Publisher distributor selection guidelines did not constitute an offer to form a distributorship upon which a suit alleging promissory estoppel could be based.

3. Federal Civil Procedure

When a motion for summary judgment is made and supported by affidavit, the party opposing the motion may not rest on the allegations in his pleadings but must resist the motion by setting forth specific facts that raise a genuine issue of fact for trial. Fed.Rules Civ.Proc. Rule 56(e), 28 U.S.C.A.

4. Federal Civil Procedure

Having failed to present specific facts challenging the truthfulness of statements in company's affidavit in support of its motion for summary judgment stating that information in distributor application was of no use or value to the company, rejected applicant could not recover from the company on theory of unjust enrichment.

Thomas B. Curtis, Kenneth M. Romines, Leland B. Curtis, Clayton, Mo., for appellants.

Kohn, Shands, Elbert, Gianoulakis & Giljum, Alan C. Kohn, Terry Lueckenhoff, St. Louis, Mo., for appellee.

Before LAY, Chief Judge, ARNOLD, Circuit Judge, and BECKER,* Senior District Judge.

PER CURIAM. Pursuant to its decision to begin distributing its beer in Missouri, Adolph Coors Company, a Colorado corporation, created a distribution plan which divided Missouri into thirteen separate geographical areas. In August of 1977 Coors released news reports requesting any person interested in becoming a Coors distributor to write the company requesting an application. Coors mailed formal applications and copies of Coors' "Basic Distributor Selection Guidelines" to the plaintiffs, represented principally by Leonard H. Burst, and approximately 1600 other prospective applicants. Three hundred seventy-nine applications were completed and returned to Coors of which thirty-five, including Burst's, were for the Area No. 10 distributorship. Burst was one of four

*William H. Becker, Senior District Judge, Western District of Missouri, sitting by designation.

applicants selected for a field interview for Area No. 10 and the only one asked to Coors' headquarters for an in-house interview. However, on February 7, 1978, Burst received a letter notifying him that his application to become a Coors distributor had been rejected. Coors found none of the original applicants for Area No. 10 satisfactory and did not award the distributorship to any of them. Instead, Coors had Coors Distributing Company, a subsidiary, handle the distribution of its products until a suitable applicant could be found. Finally, in early 1979 Coors awarded United City Distributors, which had not been one of the original thirty-five applicants, the distributorship for a part of original Area No. 10. Coors Distributing Company retained the remainder.

Burst thereafter filed suit based upon allegations of promissory estoppel and unjust enrichment.¹ Coors moved for summary judgment. The district court, D.C., 503 F.Supp. 19, sustained the motion, from which Burst appeals.

[1, 2] Count I of Burst's complaint alleges that he relied on Coor's published distributor selection guidelines to his detriment when Coors failed to comply with the guidelines. The first essential element of promissory estoppel is that the defendant has made a binding offer in the form of a promise. *Debron Corporation v. National Homes Construction Corporation*, 493 F.2d 352, 357 (8th Cir. 1974). The district court viewed Coor's selection guidelines as an invitation to interested persons to submit applications to be considered for a Coors distributorship and not an offer to form a distributorship contract. The court found that the only express promise Coors made in the guidelines was to give each application "fair and equal consideration." The district court correctly held that Coors made no promise which Burst could reasonably interpret to be an offer and on which he could reasonably rely.

[3, 4] Burst's Counts II and III allege that Coors was unjustly enriched by the information contained in his application. Count II alleges that because of Burst's application Coors "became aware for the first time of the advantageous market and profitability potential of Area No. 10," which induced Coors to keep the area for itself. Count III alleges Coors appropriated for its own use and benefit the "market, demographic, and financial projections relating to the operation of a distributorship in Area No. 10" contained in Burst's application. In an affidavit filed in support of the motion for summary judgment, Peter Coors, Senior Vice-president of

¹On appeal, Burst asserts that the allegations in Count I make out a cause of action in fraud against Coors. However, in his memorandum in opposition to Coors' motion for summary judgment, Burst specifically said that Count I was not grounded on fraud. As a result of this statement, the district court failed to consider fraud as a theory of recovery. An appellate court will not consider an issue on which counsel took a contrary position before the trial court. *Alexander v. Town & Country Estates, Inc.*, 535 F.2d 1081, 1082 (8th Cir. 1976). Therefore, we decline to consider Burst's fraud argument.

Sales and Marketing, affirmed that the information in Burst's application was of no use or value to Coors and that the only use made of the information was in considering Burst's application. Burst had not presented specific facts challenging the truthfulness of the statements in Peter Coors' affidavit. When a motion for summary judgment is made and supported by affidavits, the party opposing the motion may not rest on the allegations in his pleadings but must resist the motion by setting forth specific facts that raise a genuine issue of fact for trial. Fed.R.Civ.P. 56(e). See *Lyons v. Board of Education of Charleston*, 523 F.2d 340, 346-47 (8th Cir. 1975); *Tilden Financial Corporation v. Palo Tire Service, Inc.*, 596 F.2d 604, 607-08 (3d Cir. 1979). Since Burst failed to challenge Peter Coors' affidavit, the district court correctly concluded that there was no genuine issue of fact concerning the use Coors made of the information in Burst's application. The district court properly granted summary judgment on Counts II and III because Coors could not have been unjustly enriched by information that was of no value to Coors and which it did not use.

The decision of the district court is **AFFIRMED**.

**CAROLINA ENTERPRISES, INC. v. COLECO INDUSTRIES, INC.,
et al.**

No. 81-214

(United States District Court, D. New Jersey—Decided March 2, 1981)

211 USPQ 479

Action by Carolina Enterprises, Inc., against Coleco Industries, Inc., and Tiny Tot, Inc. for Lanham Act violations, copyright infringement, and unfair competition. Judgment for plaintiff.

UNFAIR COMPETITION

1. Appearance of goods or labels—In general

Possibility that confusion might arise from similar trade dress can be negated where competitors' products prominently bear different trademarks.

2. Appearance of goods or labels—In general

Traditional standard for unfair competition requires proof of two elements, that public recognizes plaintiff's trademark, appearance of article in question, or packaging or labeling as identifying goods originating with that plaintiff as distinct from any other source, and that defendant's actions cause likelihood of confusion among relevant buyer class.

3. Appearance of goods or labels—In general

Product has acquired distinctiveness and secondary meaning when its trade dress has been copied, this rule is based on theory that one only copies something of value and would not copy trade dress of product if it does not afford some commercial gain.

TRADEMARKS

4. Marks and names subject to ownership—Secondary meaning

It is appropriate in determining whether trademark or other symbol has acquired secondary meaning to consider length and manner of its use and nature and extent of advertising and promotions featuring mark; secondary meaning can also be inferred by court from extensive sales of goods sold under mark.

UNFAIR COMPETITION.

5. Appearance of goods or labels—In general

Proper test with respect to element of likelihood of confusion between trade dress of plaintiff's and defendant's products and containers is whether defendant's products and their containers have features that are of such character and are used in such ways as to be likely to confuse prospective buyer; no evidence of actual confusion or deception need be shown; court may rely not only on evidence presented by plaintiff but also on its own comparison of trademarks trade dress, and other matters in issue in making its findings on issue of likelihood of confusion.

TRADEMARKS

6. Evidence—Of confusion

Identity and similarity—How determined—In general

Infringement—Knowledge or intent

Factors to be considered in assessing likelihood of confusing similarity between trademark and accused infringing mark are degree of similarity of marks in appearance, intent of accused infringer, relationship in use and manner of marketing between goods, similarity of trade channels, and fame of prior mark; likelihood of confusion is to be tested in eyes of ordinary purchasers buying with ordinary caution.

COPYRIGHTS

7. In general

Certificates of copyright registration carry with them presumption of validity and constitute prima facie evidence of facts stated in them.

8. In general

Copyright owner whose first publication of works that are basis for claim of copyright infringement was within last five years is entitled to presumption contained in Section 410(c) of the copyright law.

9. Matter copyrightable—In general

Even modicum of creativity may suffice for work to be protected; test for determining copyrightability is originality, that is, independent creation or individuality of expression, rather than novelty; originality of even slightest degree, even if it amounts to no more than rearrangement of age-old ideas, is sufficient.

Peter Cobrin, Alan Israel, and Kirschstein, Kirschstein, Ottinger & Cobrin, all of New York, N.Y., for plaintiff.

Frederick Whitmer, and Pitney, Hardin & Kipp, both of Newark, N.J., for defendants.

SAROKIN, *District Judge* (orally). Plaintiff Carolina Enterprises is a North Carolina corporation having a place of business in New York.

Carolina does extensive business throughout the United States, including New Jersey.

Defendant Coleco is a Connecticut corporation having a place of business in New York.

Defendant Coleco also does extensive business throughout the United States, including New Jersey.

Plaintiff seeks relief for alleged violations of the Lanham Act, the Federal Copyright Laws and the New Jersey Unfair Competition Law.

Plaintiff alleges three causes of action first, plaintiff alleges that the Defendant Coleco has unlawfully and without authorization from plaintiff offered for sale and sold tricycles identified by the trademark "PRINCESS POWER CYCLE" which have a trade dress confusingly similar to the trade dress of the tricycles sold by Carolina under the WILD FLOWER and POWDER PUFF trademarks.

In addition Coleco's container for its tricycles sold under the PRINCESS POWER CYCLE trademark is alleged to be confusingly similar in appearance to the trade dress of the distinctive container in which Carolina's medium sized version tricycles are sold under the POWDER PUFF trademark.

Plaintiff alleges that the acts of the defendant are calculated and likely to cause confusion and deception of the public as to the source of origin of the tricycles, resulting in damage and harm to the plaintiff.

Second, the plaintiff alleges that the acts of the defendants have violated the New Jersey Unfair Competition Law. Plaintiff alleges that the aforesaid acts of the defendant were done with the intent and purpose of passing off the Coleco tricycle under the PRINCESS POWER CYCLE trademark.

Third, plaintiff alleges that the acts heretofore cited constitute copyright infringement of the lithographic labels supplied for the containers of the tricycle.

Plaintiff seeks an injunction, a recall of the infringing product, damages, treble damages, and counsel fees.

This case has proceeded on an accelerated basis with the consent of the parties. Both the application for a preliminary injunction and a final injunction were consolidated, and all issues were to be tried herein, excluding the quantum of damages and those issues raised by the counterclaim filed by the defendant in this matter.

The following constitutes the findings of fact and conclusions of law by the Court in this matter.

Carolina and its predecessor have been in the toy business for over forty years. Carolina designs, manufactures and sells under its Empire trade name and trademark a large variety of toys and games of all kinds and particularly plastic toys throughout the United States for both boys and girls.

One of Carolina's most popular toy products lines is its children's ride-on plastic toy vehicles, such as tricycles, which come in different styles and sizes.

Carolina's ride-on toy vehicles have been and are the most important part of Carolina's overall product line.

During the past six years Carolina has sold approximately eight million ride-on vehicles of various types and it's now generally regarded as the number one manufacturer and seller of ride-on toy vehicles in the toy industry. As part of its girls' toy line Carolina sells three different ride-on tricycles which have been exclusively designed for girls under its POWDER PUFF trademark, hereinafter collectively referred to as the POWDER PUFF TRICYCLES.

The POWDER PUFF TRICYCLES come in the following sizes: MINI POWDER PUFF HOT CYCLE, LITTLE POWDER PUFF HOT CYCLE and SUPER POWDER PUFF HOT CYCLE.

Carolina also sells to J. C. Penney, one of Carolina's larger retail store chain accounts, on an exclusive basis the same three ride-on girls' tricycles described above under the WILD FLOWER trademark.

In 1976 Carolina decided to market a ride-on tricycle which would be exclusively designed for young girls. The basic marketing concept for the girls' tricycles was to develop a feminine looking toy which would have an entirely new look and distinctive style. Many designs were created and rejected.

The following color scheme and styling was chosen: For the tricycle body frame, a soft shade of pink; for the front handlebar and front fork assembly, powder blue; for the front and rear wheels, white and a bright yellow color to accent the hub portions of the wheel; for add-on decals, a flower theme in colors complementary to the aforementioned colors of the tricycle components; and accessory streamers in colors complementary to the colors of the tricycle's components.

In late 1976 Carolina's project engineers and model makers prepared samples of actual painted girls' tricycles having the aforementioned original color scheme and original flower theme styling and presented these samples to J. C. Penney.

The new original color scheme and stylings were enthusiastically received.

In early 1977 Carolina's girls' tricycles having the aforementioned color scheme and styling were exhibited in the American Toy Fair in New York. Again, the new tricycle original color scheme and styling were well received by the trade.

As a result of the enthusiastic reception of the original color scheme and styling J. C. Penney requested and obtained a one year exclusive on the aforementioned original color scheme and styling for the medium WILD FLOWER TRICYCLE.

Carolina also designed for J. C. Penney an exclusive copyrighted lithographic label to be applied to the shipping container or package in which the medium WILD FLOWER TRICYCLE was sold.

In 1977 Carolina sold approximately (deleted) units of the medium WILD FLOWER TRICYCLE with the original color scheme and styling to J. C. Penney. The sales were considered so successful that J. C. Penney asked for and obtained another one year exclusive on the color scheme and styling not only for the medium version but also for the newly introduced small and large versions.

Total 1978, 1979 and 1980 sales from the small, medium and large WILD FLOWER TRICYCLES to J. C. Penney amounted to approximately (deleted) units at a total wholesale price of about (deleted).

In 1979 Carolina began to sell to all of its other customers the large version of POWDER PUFF TRICYCLE with the original color scheme and styling. Total 1979 sales for Carolina's large version with the original color scheme and styling rose to about (deleted) units at a total wholesale price of about (deleted).

In 1980 Carolina's sales of its small, medium and large version POWDER PUFF TRICYCLES increased dramatically. Carolina sold about (deleted) units of its small version at a total wholesale price of over (deleted) dollars. Carolina sold about (deleted) units in the medium version at a total wholesale price of nearly (deleted) dollars. Carolina sold about (deleted) units of its large version at a total wholesale price of nearly (deleted) dollars.

In total Carolina sold approximately (deleted) POWDER PUFF TRICYCLES with the original color scheme and styling at a total wholesale price of approximately (deleted) dollars.

In addition Carolina's 1980 sales of the WILD FLOWER TRICYCLE with the original color scheme and styling amounted to an additional (deleted).

These sales represented a very significant portion of Carolina's business.

Aside from Carolina's 1978, 1979 and 1980 catalogs, Carolina has publicly exhibited the POWDER PUFF TRICYCLE with the original color design and styling at various toy shows around the country, including but not limited to the American Toy Fair in New York, the Atlanta Toy Show and the Dallas Toy Show.

Carolina has extensively and continuously advertised its POWDER PUFF TRICYCLES with the original color scheme and styling in newspapers across the country either by direct advertising or indirectly by providing cooperative advertising allowances with its customers. In the last two years Carolina has spent approximately \$(deleted) on cooperative advertising allowances and direct advertising costs for the POWDER PUFF TRICYCLE, based upon estimates in accordance with generally accepted accounting principles. That amount is merely a part of the overall advertising expense for such items.

Aside from the aforementioned pink, blue, white, yellow, original color scheme and styling Carolina also designed for each tricycle a package or shipping container and a copyrighted lithographic label which is applied to the shipping container.

With respect to the lithographic labels, plaintiff selected a dark blue background against which the tricycle itself is prominently displayed, a bright yellow lettering with a pink outline to depict the trademark against the blue background, an insert wherein a smiling girl is shown riding a tricycle and white lettering to state the features.

Retail stores typically display the shipping containers which contain the unassembled tricycles such that their lithographic labels face toward the consumer. Usually the shipping containers are vertically stacked one above the other either directly or on the floor or on low store shelving. Various competing companies' tricycle containers are also typically arranged alongside or nearby. The stores frequently assemble several tricycles and display them side by side near the tricycle containers.

Plaintiff became aware of a girls' tricycle sold by Coleco Industries in November of 1980. Defendant Coleco announced that it had manufactured a girls' low slung ride-on cycle on March 13, 1980.

Defendant presented testimony that it developed its trade dress and label for its product independent of plaintiff's trade dress and label.

Defendant asserts and offered testimony that any similarities between the trade dress of its product and its label with that of the plaintiff is coincidental and the result of pure happenstance.

There is a statistical story that the Court has heard, and I am sure counsel have as well, that if you have an infinite number of monkeys and an infinite number of typewriters, they will create either King Lear or Gone With The Wind. That event is as unlikely as is the defendant's assertion in this matter that the identity and similarities between its product and label and that of the plaintiff is a coincidence.

The evidence in this matter shows that before embarking on the sale of its tricycles defendant had actual Carolina tricycles in its possession, as well as the Carolina label, the Carolina catalog and price list and price information pertaining to the Carolina product.

In addition to that, the Court finds that there were discussions and memoranda of such discussions that Coleco specifically directed at creating a product which would be in direct competition with the plaintiff and in particular its POWDER PUFF line.

In one of the memos defendant makes reference to "powder puff blue" in describing a color to be considered. Exhibit P-6HH.

Furthermore there is substantial evidence that defendant was anxious to have a product in the marketplace in a short period of time. In discussing the goals of the defendant Mr. Lawrence Passik testified that they were seeking the same continuity of desirability that plaintiff's product had.

Apparently defendant had some pangs of conscience about what they were doing or what they were about to do, as appears from Exhibit 6HH, a memorandum dated May 1st, 1980, where the following appears:

"To answer your question as to whether or not the new layout is justified I would say 'definitely so' if we want to compete with the products that are out on the marketplace and give some appeal to the product in terms of aesthetics and marketing needs."

In respect to the Coleco PRINCESS TRICYCLE, in terms of Carolina's original color scheme on its POWDER PUFF and WILD FLOWER TRICYCLES Coleco has deliberately copied the soft pink color for the tricycle body frame, the soft powder blue color for the front handlebar and front fork assembly, the white color for the rear wheel, the bright yellow color for the hub of the rear wheel, the white color for the periphery of the front wheel and for the interior space between the simulated spoke portions of the front wheel and the bright yellow color for the simulated spoke portions of the front wheel.

In terms of Carolina's add-on decal styling, Coleco has deliberately copied the flower theme.

In terms of Carolina's accessory streamers, Coleco has deliberately copied this feature also.

The overall visual impact between Carolina's POWDER PUFF and WILD FLOWER TRICYCLES and Coleco's girls' tricycles is the same. Coleco designed the color scheme and styling of its PRINCESS TRICYCLE in a deliberate attempt to copy the color scheme and styling of Carolina's POWDER PUFF and WILD FLOWER tricycles and thereby trade on Carolina's established tricycles.

A comparison of Carolina's copyrighted lithographic label and the label used by Coleco reveals the substantial similarity between them. Coleco has deliberately copied the same dark blue background against which to illustrate its tricycles. Coleco has posed its tricycle in the same manner and angle as Carolina did.

By copying Carolina's original color scheme, flower theme, decals and streamers the illustration of Coleco's tricycle on its label is substantially duplicated and is confusingly similar to Carolina's label.

Coleco has also copied Carolina's bold yellow lettering to print its trademark. Coleco has also substantially copied and accentuated the letter Y in "Cycle" using the descender in substantially the same manner as Carolina did.

The overall visual impact between Carolina's and Coleco's lithographic labels is remarkably the same and the latter were designed in a deliberate attempt to trade on Carolina's reputation and success with its POWDER PUFF and WILD FLOWER TRICYCLES and to confuse the public into buying Coleco's PRINCESS TRICYCLES, rather than Carolina's POWDER PUFF and WILD FLOWER TRICYCLES.

Considering that the likely consumer, albeit accompanied by an adult, would be a five year old girl or younger, the respective tricycles are identical and the labels are substantially similar.

[1] The possibility that confusion might arise from similar trade dress can be negated where the competitors' products prominently bear different trademarks, e.g. *Bose Corporation v. Linear Design Labs, Inc.*, 467 F.2d 304, 309-10, 175 USPQ 385, 390 (2d Cir., 1972): ("[T]here is hardly likelihood of confusion or palming off when the name of the manufacturer is clearly displayed."); *Walter Gremlin Co. v. Ideal Fishing Float Co.*, 401 F.Supp. 809, 812, 188 USPQ 388, 391 (D. Minn., 1975); *Marcal Paper Mills, Inc., v Scott Paper Co.*, 290 F.Supp 43, 51, 160 USPQ 147, 152-153 (D.N.J., 1968).

Although defendant asserts that its name is clearly displayed, that is of no significance considering the overall identity of its products to that plaintiff's. In fact the method by which the name is interwoven into the floral design tends to conceal rather than display it. But bearing in mind the age of the true customer, a clear and definitive display of the name could not remove the confusion created in all other respects by defendants' copy of plaintiff's trade dress. Whatever differences there may be are imperceptible and would be of no consequence to the likely consumer of this type of product. Section 43 (a) of the Lanham Act 135 U.S.C. Section 1125 (a), provides in pertinent part as follows:

"Any person who shall affix, apply, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce * * * shall be liable to a civil action * * * by any person who believes that he is or is likely to be damaged by the use of any such false description or representation."

The Third Circuit has construed the statute very broadly in *L'Aiglon Apparel, Inc., v. Lana Lobel*, 214 F.2d 649, 651, 102 USPQ 94, 96 (3d Cir. 1954), stating as follows:

"We find nothing in the legislative history of the Lanham Act to justify the view that this section is merely declarative of existing law. Indeed, because we find no ambiguity in the relevant language in the statute we doubt the propriety of resort to legislative history even if that history suggested that Congress intended less than it said. It seems to us that Congress has defined a statutory civil wrong of false representation of goods in commerce and has given a broad class of suitors injured or likely to be injured by such wrong the right to relief in the federal courts."

In the case at bar the defendant is manufacturing and selling a PRINCESS POWER CYCLE, the trade dress of which is a copy and confusingly similar to the trade dress of Carolina's POWDER PUFF and WILD FLOWER TRICYCLES.

The trade dress of Carolina's POWDER PUFF and WILD FLOWER TRICYCLES is not functional and was selected to present an original and attractive design. The copying of this trade dress represents a violation of Section 43 (a) of the Lanham Act.

In addition, the sale by defendants of PRINCESS POWER CYCLES, in containers, the trade dress of which is a copy of Carolina's medium version POWDER PUFF container, is a violation of Section 43 (a) of the Lanham Act.

The copying of the trade dress of both Carolina's product and container was intended to deceive purchasers. In *SK&F Co. v. Premo Pharmaceutical Laboratories, Inc.* 625 F.2d 1055, 206 USPQ 964 (3rd Cir., 1980) the defendant had copied the coloration of plaintiff's product. In granting relief under Section 43(a) of the Lanham Act the Third Circuit held that the New Jersey State Law of Unfair Competition was not significantly different from Section 43(a) of the Lanham Act. The Court of Appeals stated as follows:

"The section 711(c) tort of unprivileged imitation is defined in section 741 of the Restatement as:

"One who markets goods, the physical appearance of which is a copy or imitation of the physical appearance of the goods of which another is the initial distributor, markets them with an unprivileged imitation, under the rule stated in §711, if his goods are of the same class as those of the other and are sold in a market in which the other's interest is protected, and

* * * * *

"(b) the copied or imitated feature has acquired generally in the market a special significance identifying the other's goods, and

"(i) the copy or imitation is likely to cause prospective purchasers to regard his goods as those of the other, and

"(ii) the copied or imitated feature is nonfunctional, or, if it is functional, he does not take reasonable steps to inform prospective purchasers that the goods which he markets are not those of the other.

In the New Jersey case law the elements of the section 741 protection are generally expressed as conjunctive requirements of secondary meaning and nonfunctionality (Citations omitted.) Section 742 of the First Restatement of Torts defines functionality:

"A feature of the goods is functional, under the rule stated in 741, if it affects their purpose, action or performance, or the facility or economy of processing, handling or using them, it is nonfunctional if it does not have any of such effects."

Id. at 1062-63, 206 USPQ at 971-972.

In discussing functionality said Court also stated the following:

"[a] feature is non-functional if, when omitted, nothing of substantial value in the goods is lost. A feature which merely associates goods with a particular source may be, like a trade-mark or trade name, a substantial factor in increasing the marketability of the goods. But if that is the entire significance of the feature, it is non-functional, for its value then lies only in the demand for goods associated with a particular source rather than for goods of a particular design."

Id. at 1063, 206 USPQ at 972 quoting from Restatement of Torts §742, Comment a (1938).

The overall trade dress of plaintiff's tricycles and containers is not functional. Plaintiff does not nor could it claim the exclusive right to manufacture pink tricycles. However, the combination of colors and decals gave to such tricycles a distinct trade dress entitled to protection. There are literally thousands of other color combinations which defendant could have utilized. It chose to use the same colors on the same parts in the same shades and place similar decals at the precise locations utilized by plaintiff.

Plaintiff's own designer thought that the color combination used by the plaintiff, to use his own words, was disgusting. He testified that better colors and combinations were available from a professional designer's point of view.

Defendant suggests that, having decided on a pink body, the balance of the colors, their shades, their location, the streamers and the decals, were pre-ordained and therefore functional.

Defendant relies upon *Pagliero v. Wallace China Company*, 198 F.2d 339, 343, 95 USPQ 45, 48 (9th Cir., 1952) in which the Court defined a functional feature as "an important ingredient in the commercial success of the product" and held decorative patterns on china tableware to be functional. The Court based its decision on the fact that the "attractiveness and eye-appeal of the design sells the china." Id. at 343-44, 95 USPQ at 49.

Defendant also relies upon the Supreme Court holding that the creator of the shredded wheat biscuit could not prevent another company, in that case *Kellogg*, from using the original product's functional pillow shape for its version of the product. *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111, 39 USPQ 296 (1938).

However, applying the holding of the Third Circuit in the *SK&F* case to this matter, there has been unprivileged imitation of the trade dress of Carolina's tricycles and the trade dress of the tricycles and container are non-functional.

The coloration of Carolina's tricycles does not add to their utility, nor does the art work of Carolina's container for its medium sized version **POWDER PUFF TRICYCLE**.

[2] The traditional standard for unfair competition requires proof of two elements; 1) that the public recognizes plaintiff's trademark, the appearance of the article in question, or the packaging or labelling as identifying goods originating with that plaintiff as distinct from any other source; and 2) that defendant's actions cause a likelihood of confusion among the relevant buyer class.

In the present case Carolina had demonstrated the distinctive nature of the trade dress of its **POWDER PUFF** and **WILD FLOWER TRICYCLES** and the container for the medium sized **POWDER PUFF** version. Secondary meaning has also been established by reason of

Coleco's copying the trade dress of Carolina's tricycles and the containers thereof and by the extensive promotion and sale of Carolina's goods.

[3] A product has acquired distinctiveness and secondary meaning when its trade dress has been copied. This rule is based on the theory that one only copies something of value and would not copy the trade dress of a product if it does not afford some commercial gain. *Audio Fidelity, Inc. v. High Fidelity Recordings, Inc.* 283 F.2d 551, 127 USPQ 306 (9th Cir. 1960); *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 314 F.2d 149, 136 USPQ 508 (9th Cir. 1963), cert. denied. 374 U.S. 830, 137 USPQ 913 (1963).

In *Boehringer Ingelheim G.m.b.H., et al. v. Pharmadyne Laboratories, et al.* Civil Action No. 79-358 (D.N.J.), Judge Lacey in a memorandum opinion not yet published which issued on September 24, 1980, found compelling the decision of the defendants to copy arbitrary and non-functional trade dress of plaintiff *Boehringer*. Specifically, Judge Lacey stated as follows:

"Thus, defendants' decision to copy the arbitrary and nonfunctional trade dress selected by *Boehringer* constitutes damning evidence of the existence of secondary meaning. *Faberge, Inc. v. Saxony Products, Inc.* supra, 605 F.2d at 428, 204 USPQ at 360-361; *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 314 F.2d 149, 157, 136 USPQ 508, 515 (9th Cir. 1963); *Freemont Co. v. ITT Continental Baking Co., Inc.* 199 USPQ 415, 421 (S.D.N.Y. 1977) ('Plaintiffs' intentional imitation of significant features of defendant's family line of packaging . . . is sufficient to establish secondary meaning'); *E.R. Squibb & sons, Inc. v. Premo Pharmaceutical Labs. Inc.*, 195 USPQ 545, 550 (S.D.N.Y. 1977); *Mortellito v. Nina of California, Inc.* 335 F.Supp 1288, 1294, 173 USPQ 346, 350 (S.D.N.Y. 1972). As one court recently put it, 'Most persuasive, however, is the inference of secondary meaning that arises by virtue of defendants' own admissions and the act of copying almost every detail of plaintiff's product.' *Le Sportsac, Inc. v. Dockside Research, Inc.*, supra. 478 F.Supp. at 608, 205 USPQ at 1062. Or, as the Third Circuit said in *SK&F*, slip op. at 17, 206 USPQ at 972: 'The only value of the trade dress was in identifying the goods with their source, and that value suffices in the New Jersey courts to establish secondary meaning.' "

Slip op. at 56 (footnotes omitted).

Appropriate consideration whether secondary meaning has been established is to consider the length and manner of use of the trademark or other symbols and the nature and extent of advertising programs featuring the mark.

In *John Wright Inc. v. Casper Corp.*, 419 F.Supp. 292, 317-18, 191 USPQ 369, 388-389 (E.D.Pa. 1976), affirmed in part, *Donsco, Inc. v. Casper Corp.*, 587 F.2d 602. 199 USPQ 705 (3rd Cir. 1978); the Court defined secondary meaning simply as buyer association and stated that the question is whether the relevant class of purchasers associated plaintiff's trademark or the distinctive feature of his goods with plaintiff's product and not the product of another manufacturer. The Court further noted that

it is not necessary for the purchasing public to be specifically aware of the manufacturer's identity.

[4] In determining whether a trademark or other symbol has acquired secondary meaning it is appropriate to consider the length and manner of its use and the nature and extent of advertising and promotions featuring the mark, again relying upon *John Wright, Inc., v. Casper Corp. supra*.

Secondary meaning can also be inferred by the Court from the extensive sales of goods sold under the mark, e.g. *HMH Publishing Co. v. Brincat*, 342 F.Supp. 1275, 1280-81, 173 USPQ 182, 186 (N.D.Cal. 1972), affirmed in part 504 F.2d 713, 183 USPQ 141 (9th Cir. 1974).

Carolina has sold approximately (deleted) POWDER PUFF TRICYCLES at a total wholesale price of about (deleted) dollars.

(deleted) of the medium version WILD FLOWER TRICYCLES were sold to J. C. Penney's. In 1978, 1979 and 1980 Carolina sold approximately (deleted) units of all sizes of the WILD FLOWER TRICYCLES to J. C. Penney's for a price of about (deleted).

The commercial success and promotion by plaintiff clearly establishes that secondary meaning exists with respect to the trade dress of Carolina's POWDER PUFF TRICYCLE, the trade dress of the container for the medium version thereof as well as the trade dress for the WILD FLOWER TRICYCLE.

[5] With respect to the element of likelihood of confusion between the trade dress of Carolina's POWDER PUFF and WILD FLOWER TRICYCLES on the one hand and Coleco's PRINCESS POWER CYCLE on the other hand, and the trade dress of the container for Carolina's medium version POWDER PUFF TRICYCLES and the trade dress of the container for Coleco's PRINCESS POWER CYCLE, the proper test is whether Coleco's products and the container therefor have features which are of such character and are used in such a way as to be likely to confuse a prospective buyer. No evidence of actual confusion or deception need be shown. *The Family Circle, Inc. v. Family Circle Associates*, 332 F.2d 534, 539-40, 141 USPQ 848, 852-853 (3rd Cir. 1964). The court in making its findings on the issue of likelihood of confusion may rely not only on the evidence presented by a plaintiff but also on its own comparison of the trademarks, trade dress and other matters in issue. *Id.* at 540, 141 USPQ at 582.

In this case, certainly, a picture is worth a thousand words, and a comparison of the physical products and the respective labels speaks more eloquently than any of the verbal testimony in this matter. An adult would be confused by comparison of the products and the labels. A young child certainly would.

Most of the discussion in this case is centered on a side-by-side comparison. However, that presupposes that both products are present in the store at the same time. No such opportunity for a side by side comparison

would exist if, for instance, only the defendant's tricycles are available and on display in a particular store. Under those circumstances there would be no basis to distinguish the two products, even assuming that such a basis did exist in fact, and the Court finds that none does.

[6] My colleagues in this District have itemized a number of factors which are to be considered in assessing the likelihood of confusing similarity between a trademark and an allegedly infringing mark, the degree of similarity of the marks in appearance, the intent of the alleged infringer, the relationship in use and manner of marketing between the goods, the similarity of trade channels and the fame of the prior mark. *Fotomat Corp. v. Photo Drive-Thru, Inc.*, 425 F.Supp. 693, 703, 193 USPQ 342, 354 (D.N.J. 1977); *McNeil Laboratories, Inc. v. American Home Products Corp.*, 416 F.Supp. 804, 806, 193 USPQ 486, 488-489 (D.N.J. 1976); *Tefal S.A. v. Products International Co.*, 186 USPQ 545 (D.N.J. 1975), affirmed 529 F.2d 495, 189 USPQ 385 (3d Cir. 1976). The likelihood of confusion is to be tested in the eyes of ordinary purchasers buying with ordinary caution. *Fotomat Corp. v. Photo Drive-Thru, Inc.*, supra at 703, 1983 USPQ at 354.

The evidence in this case establishes that the public is highly likely to be confused as to the source of origin of Coleco's PRINCESS POWER CYCLE and Carolina's POWDER PUFF and WILD FLOWER TRICYCLE. A comparison of the items shows that they are virtually indistinguishable. Coleco's PRINCESS POWER CYCLE and Carolina's POWDER PUFF TRICYCLE certainly are when they are offered for sale in a side by side juxta position and a comparison of the container for Coleco's PRINCESS POWER CYCLE and that for Carolina's POWDER PUFF TRICYCLE demonstrates that they, too, are indistinguishable and likely to cause confusion, particularly when they are stacked side by side.

Carolina has proved by a preponderance of the evidence its right to relief on the cause of action arising under Section 43(a) of the Lanham Act for false designation of origin and false representation. As to the unfair competition cause of action under New Jersey Law, in view of the unique trade dress of Carolina's tricycles, unique trade dress of the container for the medium version thereof and the direct copying by Coleco, consumers will inevitably be confused as to the source of origin.

In view of Coleco's deliberate copying the Court finds that Coleco wished to have its product passed off as that of Carolina's and to deceive the public. Therefore, the Court finds unfair competition under New Jersey law for the same reasons expressed in detail relative to the Lanham Act violation.

[7] In respect to the claim for copyright infringement, Carolina's certificates of copyright registration, P-6EE and P-6FF carry with them a presumption of validity and constitute prima facie evidence of the facts stated therein. *Callaghan v. Meyers*, 128 U.S. 617 (1888).

Title 17 of the United States Code, Section 410(c) of the copyright law states that:

“In any judicial proceedings the certificate of a registration made before or within five years after first publication of the work shall constitute prima facie evidence of the validity of the copyright and the facts stated in the certificate.”

[8] Carolina's first publication of the lithographic labels which are the basis for the claim of copyright infringement was within the last five years. Thus, Carolina is entitled to the presumption contained in Section 410(c) of the copyright law. Carolina's lithographic labels need not be strikingly unique or novel as long as the final work product is more than a trivial variation of some existing work. *Universal Athletics Sales Corp., v. Salkeld*, 340 F.Supp 899, 173 USPQ 790 (W.D. Pa. 1972), reversed on other grounds, 511 F.2d 904, 185 USPQ 76 (3rd Cir. 1975).

Defendant contends that plaintiff's labels are not original and where works consist of “a basic design which is not original with a plaintiff, small variations by subsequent designers may protect them from charges of infringement.” *Concord Fabrics, Inc., v. Generation Mills, Inc.*, 328 F.Supp. 1030, 1033, 169 USPQ 470, 472 (S.D.N.Y. 1974).

The trade dress utilized by plaintiff was original to it and no sample of prior or concurrent toy products refutes that conclusion, and that includes the Marx products as represented by Exhibit D-1 and D-2 and the other products produced by defendant depicted by Defendant's Exhibits 4, 5, 6 and 7. The same applies to plaintiff's label as compared to those offered by defendant and as represented by Defendant's Exhibits 9, 10, 13, 14, 15, 16, 23 and 24.

[9] As stated by Judge Weis in *Universal Athletic Sales Corp. v. Salkeld*, supra, 511 F.2d at 908, 185 USPQ at 78-79: “Even a modicum of creativity may suffice for a work to be protected.”

The test for determining copyrightability is originality, that is, independent creation or individuality of expression, rather than novelty. Originality of even the slightest degree, even if it amounts to no more than a rearrangement of age-old ideas, is sufficient. *Peter Pan Fabrics v. Dixon Textiles Corp.*, 280 F.2d 800, 125 USPQ 426 (2d Cir. 1960).

Also in the *Universal* case Judge Weis stated what elements are necessary to establish copyright infringement in the Third Circuit as follows:

“To establish a copyright infringement, the holder must first prove that the defendant has copied the protected work, and second, that there is a substantial similarity between the two works.” 511 F.2d at 907, 185 USPQ at 78.

In this case, as the Court has already indicated, the defendant had access to the plaintiff's product and label. The Court has already found that at the time that defendant was contemplating the manufacture of its pro-

duct it had before it the plaintiff's tricycles, the labels, the containers, price lists and catalogs. In addition to that, as the court has already found, there is a substantial similarity between the labels of the defendant and that of the plaintiff. Coleco's lithographic label was copied from Carolina's label. There is no other rational explanation for the similarity such as the blue background, the yellow legend to the logo, the picture of the little girl riding the tricycle and the white printing. The overall visual impression of the two lithographic labels is the same. Certainly there are other labels with blue backgrounds, written information known as bullets, pictures of the product, logos, similar printing and inserts, but it is not the individual parts of the label which offend but their combination. The overall impression of the competing label is one of confusing and substantial similarity.

This Court does not accept either in respect to the product or label defendant's pleas of coincidence and happenstance. One or two similarities on the cycle could be a coincidence. But the identity of the cycles and the near identity of the labels permits of no other conclusion than a deliberate scheme to copy both in an attempt to confuse and reap the rewards of such confusion.

Both parties in this matter presented evidence on the relative safety and strength of their respective products and that of their competitor. No testimony was offered by any independent expert. The Court finds that in neither's test of the other was there a sufficient sampling to provide a reliable basis for this Court to reach any conclusion. The Court is unable to evaluate the alleged claims of inferiority or superiority based upon the proof before it, and, therefore, makes no finding in respect thereto.

In accordance with the foregoing findings of fact and conclusions of law that defendant is liable for violations of the Lanham Act, New Jersey's law on Unfair Competition and the applicable copyright law, an appropriate permanent injunction shall be issued and the matter should be referred to the Magistrate to determine and report damages, including defendant's profits and plaintiff's losses and attorney's fees. The Court finds that this case warrants an award of attorney's fees and treble damages. However, before awarding treble damages, the Court will give counsel the opportunity to brief and argue the appropriate measure of damages and to determine to what base of treble damages should be applied after receiving the report and recommendation of the Magistrate.

The injunction I have ordered shall prohibit the manufacture and sale of the defendant's present products and labels and any variations thereof which is substantially similar thereto of plaintiff's product and label. The Court shall direct a recall of defendant's product, but only from its direct customers, in other words, I do not expect any effort to be made to recall the product from the ultimate customers, but if there are products of the defendant which are still at retail outlets, appropriate arrangements should be made for their recall.

CENTRAL TELEPHONE COMPANY OF VIRGINIA, a Virginia Corporation, Plaintiff, v. **JOHNSON PUBLISHING CO., INC.**, a Texas Corporation, Defendant

Civ. No. 80-A-1225

(United States District Court, D. Colorado—October 15, 1981)

526 F.Supp. 838

Telephone company brought copyright infringement action against publishing company. On cross motions for summary judgment, the District Court, Arraj, J., held that: (1) titles of telephone directories were as designated upon copyright registration certificates, notwithstanding that such titles did not include descriptive phrase "telephone directory"; (2) copyright notice placed inside of front cover of directories complied with statute; (3) statements of representatives of publishing company that it used telephone company's directory as initial source for its compilation of listings for its directory constituted admission that telephone company's directory was copied for purpose of copyright infringement, notwithstanding that publishing company later verified material by checking original sources; and (4) no copyright was infringed in publication of yellow pages using clippings of telephone company's yellow page advertisements only as source and example of information which business customers wished to advertise.

Order accordingly.

1. Copyrights and Intellectual Property

To establish case of copyright infringement, plaintiff must show ownership of valid copyright and copying of material by defendant.

2. Copyrights and Intellectual Property

Copyright registration certificate is prima facie evidence of facts stated therein, including evidence of ownership. 17 U.S.C. (1976 Ed.) §210; 17 U.S.C.A. §410(c).

3. Copyrights and Intellectual Property

Under 1909 copyright statute, placing of copyright notice in wrong location results in loss of copyright protection. 17 U.S.C. (1976 Ed.) §20.

4. Copyrights and Intellectual Property

Title registered with United States Copyright Office is prima facie proof of proper title of work. 17 U.S.C. (1976 Ed.) §210.

5. Copyrights and Intellectual Property

Titles of telephone directories were as designated upon copyright registration certificates, notwithstanding that such titles did not include descriptive phrases "telephone directory." 17 U.S.C. (1976 Ed.) §210.

6. Copyrights and Intellectual Property

"Title page" for copyright purposes is first page in book devoted in whole or in part especially to title of the work, and cover of book may serve as title page if it is only page displaying title. 17 U.S.C. (1976 Ed.) §20.

See publication Words and Phrases for other judicial constructions and definitions.

7. Copyrights and Intellectual Property

For copyright purposes, spine of telephone directory containing title is part of directory's "cover," and cover of telephone directory may be considered "title page" within terms of 1909 copyright statute. 17 U.S.C. (1976 Ed.) §20.

See publication Words and Phrases for other judicial constructions and definitions.

8. Copyrights and Intellectual Property

Copyright notice placed inside front cover of telephone directories compiled with 1909 copyright statute. 17 U.S.C. (1976 Ed.) §20.

9. Copyrights and Intellectual Property

Copying of copyrighted material as element in copyright infringement case may be shown by either admission of copying by defendant or by indirect route of proving access to material and substantial similarity between plaintiff's and defendant's works.

10. Copyrights and Intellectual Property

Statements of representatives of publishing company that it used plaintiff's telephone directory as initial source for its compilation of listings for its directory constituted admission that plaintiff's directory was copied for purpose of copyright infringement, notwithstanding that company later verified material by checking plaintiff's original sources.

11. Copyrights and Intellectual Property

Compiler of telephone directory may make fair use of existing compilation if he first makes independent canvass, then merely compares and checks his own compilation with that of copyrighted publication and publishes results after verifying additional items derived from copyrighted publication.

12. Copyrights and Intellectual Property

Since copyright of existing telephone directory covers compilation of information and not individual names and addresses, if publisher of other directory engages in substantial copying from existing work without independent canvass initially, resulting work will be infringement even when publisher later verifies material by checking original sources.

13. Copyrights and Intellectual Property

In copyright infringement case, use of additional sources or addition of other material to copied matter does not relieve defendant from liability.

14. Copyrights and Intellectual Property

In copyright infringement case, fact that copying of material is alleged by defendant to be de minimis does not relieve defendant from liability but is only relevant to question of damages.

15. Copyrights and Intellectual Property

Alternative ground for proof of copying of telephone directory by defendant in copyright infringement case is presence of fictitious listings inserted into plaintiff's directory and later present in defendant's directory.

16. Copyrights and Intellectual Property

Courts have regarded existence of common errors in two similar works as strongest evidence of copying for purposes of proving copyright infringement.

17. Copyrights and Intellectual Property

When yellow page telephone directory advertisement, published earlier in copyrighted directory, is published later in another directory, second directory will not usually infringe first directory's copyright.

18. Copyrights and Intellectual Property

In absence of agreement to contrary, ownership of and copyright on advertisement is not in publisher of first telephone directory in which such advertisement appears but resides in advertiser who paid for preparing advertisement and for its publication, and even when publisher has created and prepared advertisement on behalf of its customer, advertiser remains copyright owner.

19. Copyrights and Intellectual Property

Where publisher of subsequent telephone directory conducted independent canvass of area business community and used clippings of earlier advertisements from the earlier copyrighted directory only as source and example of information which its customers wished to advertise, no copyright was infringed, for it was earlier compilation which received copyright protection, not individual advertisements.

Kyle W. Rost, Denver, Colo., P. Phillips Connor and Kevin W. Guynn, Chicago, Ill., for plaintiff.

W. David Pantle, Denver, Colo., for defendant.

MEMORANDUM OPINION AND ORDER ON MOTIONS FOR SUMMARY JUDGMENT

ARRAJ, *District Judge*. Central Telephone Company (Central) brought this action against Johnson Publishing Co. (Johnson) claiming that Johnson infringed its copyright covering telephone directories published for the area including Martinsville, Virginia, in the years 1976 through 1979. Central alleges that Johnson copied material from Central's directories and published this material as a part of Johnson's community directories for the years 1977, 1978 and 1980. Jurisdiction is conferred by 28 U.S.C. §1338(a) (1976).

This case is now before me on cross motions for summary judgment, pursuant to Federal Rule of Civil Procedure 56. Rule 56(c) states the summary judgment "shall be rendered forthwith if the pleadings, depositions, answers to interrogatories and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law." In addition, it provides that summary judgment "may be rendered on the issue of liability alone although there is a genuine issue as to the amount of damages." Under Rule 56(e) a party opposing a summary judgment motion properly made and supported "may not rest upon the mere allegations or denials of his pleading, but his response, by affidavits or as otherwise provided in this rule, must set forth specific facts showing that there is a genuine issue for trial."

As to plaintiff's claims that defendant caused its copyrights to be infringed, defendant has failed to set forth by affidavit, deposition, answer to interrogatory or admission that any genuine issue of fact exists for trial. On the other hand, material issues of fact do remain unresolved as to the amount of damages plaintiff has suffered due to the copyright infringement. As to defendant's claim that plaintiff did not have copyright protection for two of the years in question, defendant has failed to establish that it is entitled to summary judgment as a matter of law. Accordingly, plaintiff's motion for summary judgment will be granted in part and denied in part, as explained below, and defendant's motion for summary judgment will be denied. The case will proceed to trial on the issue of damages only, as contemplated by Rule 56(c).

BACKGROUND

In the normal course of business, plaintiff Central compiles, prepares, publishes and distributes telephone directories covering the geographical areas in which it also provides telephone service, including the Martinsville, Virginia, area. Plaintiff's telephone directories are printed partly on white pages and partly on yellow pages. The portion printed on white pages lists in alphabetical order the names, addresses and telephone numbers of plaintiff's customers who elect to have their listings published. The portion printed on yellow pages lists plaintiff's business customers alphabetically under appropriate business classifications and contains advertisements of various sizes purchased by some customers.

In 1976, defendant Johnson entered into an agreement with the Basset Printing Co. by which defendant undertook to complete the work begun by Basset in the production of a community directory for the Martinsville, Virginia, area. While there are other distinctions, a community directory is a publication that lists additional information, such as name of spouse, place of employment, etc., beyond the information listed in the telephone directory about the people residing, in this instance, in the Martinsville area. After concluding the agreement with Basset, defendant Johnson took steps to complete the directory including hiring people from the Martinsville area to be enumerators. The enumerators were given survey forms on cards to fill out. In this process, the enumerators used the initial work of Basset and plaintiff's then current telephone directory to complete the survey cards with the name and telephone number of each of the listings as they appeared in the white pages of the Central directory. The enumerators were instructed to telephone each of the listings and to fill in other information as outlined by the survey cards. The completed cards were sent to defendant Johnson's business headquarters in Colorado where they were keypunched and sorted alphabetically. Concurrent with this work by the enumerators, Johnson salesmen went door to door to

solicit advertisements from businesses for a yellow page section to be published as a part of the 1977 community directory.

After the survey card information was stored in a computer data base, personnel in defendant's compiling department compared a printout with plaintiff's then current 1976 directory. Any additional listings contained in the Central directory but not on the printout list were added. No attempt was made to verify the additional listings. Thereafter, the listed information and the orders for yellow page advertisements were typeset and the 1977 community directory was printed. After printing, the directory was delivered to the Martinsville, Virginia, area for distribution.

In 1977, defendant Johnson again hired enumerators from the Martinsville area. They were supplied with a computer printout of the listings assembled for the 1977 community directory and blank survey cards. The enumerators were instructed to telephone the numbers listed on the computer printout and determine whether the information was current, making note of changes and additions on the survey cards. Similarly, defendant's salesmen again solicited businesses in the Martinsville area for advertisements in the upcoming 1978 community directory. Thereafter, this new information was merged at defendant's headquarters with the data from the previous year to provide an updated data base. Defendant's personnel compared a printout of the new data base with plaintiff's then current 1977 directory and additional listings contained in plaintiff's directory were added without an attempt to verify the additions. Defendant Johnson then printed and distributed its 1978 community directory for the Martinsville, Virginia, area.

No community directory was published by the defendant for the Martinsville area in 1979. However, during 1979 defendant Johnson again hired enumerators and sent salesmen to Martinsville. They were instructed to follow the same procedure as used in 1977, described above. In addition, defendant's compiling department followed the same procedure for updating the data base and then referred to plaintiff's current 1979 directory for obtaining additional listings. However, unlike previous years, these additional listings were returned to the enumerators for verification. Soon thereafter, defendant's 1980 city directory for Martinsville was printed and distributed.

[1] It is undisputed by the parties and well settled by the courts that two elements are necessary to establish the case of copyright infringement: first, the plaintiff must show ownership of a valid copyright and, second, copying of the material by the defendant. M. Nimmer, *Nimmer on Copyright* §13.01 (1981) [hereinafter cited as Nimmer]; *American Chemical Society v. Dun-Donnelley Publishing Corp.*, 202 U.S.P.Q. 459, 462 (N.D.Ill.1979).

THE WHITE PAGES

1. *Ownership*

[2] Plaintiff tenders the certificates of copyright registration issued by the United States Copyright Office as proof of its copyright ownership. A copyright registration certificate is prima facie evidence of the facts stated therein, including evidence of ownership. 17 U.S.C. §210 at 962 (1976) (1909 Act); 17 U.S.C. §410(c) (Supp.Ill 1979) (1976 Act).

Defendant does not deny the facial validity of the certificates, but alleges instead, in defense and under its separate Motion for Partial Summary Judgment, that the copyright is defective as to plaintiff's 1976 and 1977 directories, due to improper placement of the copyright notice. Johnson contends that under the law applicable to these two directories, the notice of copyright was not upon "the title page or the page immediately following" as directed by 17 U.S.C. §20 (1976) (1909 Act.)*

[3] The copyright notice for both directories was placed on the inside (backside) of the front paper cover. Under the 1909 Act, the placing of the copyright notice in the wrong location results in a loss of copyright protection. *Bell v. Combined Registry Co.*, 397 F.Supp. 1241 (N.D.Ill.1975); *Foreign Car Parts, Inc., v. Auto World, Inc.*, 366 F.Supp. 977 (M.D.Pa.1973). To determine, therefore, whether this placement of the notice complies with the 1909 Act, the scope of the terms "title" and "title page" must be examined.

[4, 5] The title registered with the United States Copyright Office is prima facie proof of the proper title of the work. See 17 U.S.C. §210 (1976) (1909 Act). The respective titles for the directories in question, as designated on the copyright certificates, are "May, 1976 Martinsville, Virginia 76570" and "May, 1977 Martinsville, Virginia 76570." Defendant asserts these titles are improper since an appropriate title must include a description of the work, in this case the designation "telephone directory." Other courts, however, have found titles to be as designated on the copyright registration certificate even though these titles lacked a description of the work. See, e.g., *OA Business Publications, Inc., v. Davidson Publishing Co.*, 334 F.2d 432 (7th Cir. 1964) (newspaper entitled "Daily Office Applicances—NSOEA Convention Edition."); *Booth v. Haggard*, 184 F.2d 470 (8th Cir. 1950) (unspecified type of book entitled "1948-1949, Kossuth County, Iowa, TAM Service.") In a case quite similar to the one at bar, the court determined the title of a telephone directory to be "Little Rock—North Little Rock and suburban areas." *Southwestern Bell Telephone Co. v. Nationwide Independent Directory*

*Effective January 1, 1978, the Copyright Revision Act of 1976 eliminated this strict requirement and now provides that the notice shall be affixed "in such manner and location as to give reasonable notice of the claim of copyright." 17 U.S.C. §401(c) (Supp.Ill 1979) Defendant concedes that his motion does not reach the 1978 and 1979 directories of the plaintiff.

Service, Inc., 371 F.Supp. 900 (W.D.Ark.1974). Therefore, I find as a matter of law that the titles of the 1976 and 1977 directories published by the plaintiff to be those titles as designated upon the copyright registration certificates.

[6] However, an additional problem is presented. The titles of plaintiff's 1976 and 1977 directories are not found on any page within the directories or even on the front cover of the directories. Instead, these titles are found only on the outer spine portion of each directory. Consequently, defendant's attack on the validity of plaintiff's copyright can be narrowed considerably to whether the spine portion of a directory's cover can be considered a title page.

The title page is "the first page in a book devoted in whole or in part especially to the title of the work." Nimmer, §7.10[B] at 7-56. A cover of a book may serve as a title page if it is the only page displaying the title. *Neal v. Thomas Organ Co.*, 325 F.2d 978 (9th Cir. 1964). Defendant asserts, however, that the spine is not part of a cover, and therefore not a page within the meaning of the statute. Contrary to this position, it is almost too elemental to note that a cover is "a binding or case for a book or the comparable outer part of a pamphlet or magazine." Webster's Third New International Dictionary 524 (1976). Thus the cover of a book includes the entire material encasing the contents, including the backbone or spine portion. Additionally, as one looks at a telephone directory standing on a shelf or laying on a table with other books, the spine is in fact the most visible portion of the cover.

[7, 8] I find as a matter of law that the spine of a directory containing the title is part of the directory's cover and, within the terms of the statute, the cover of a telephone directory may be considered the title page. The copyright notice placed inside the front cover of plaintiff's 1976 and 1977 telephone directories complies with 17 U.S.C. §20 (1976) (1909 Act.) Plaintiff's ownership of a valid copyright on each of its directories is clearly established.

2. Copying

[9] The second element in a case for copyright infringement is copying by the defendant. This element may be shown by either an admission of copying by the defendant, or by the indirect route of proving access to the directory and substantial similarity between the plaintiff's and defendant's works.

[10-14] After plaintiff served notice on defendant to take its deposition, defendant designated Mr. Douglas Erion, President, and Mr. Richard DeWayne, Vice President for Field Operations, as its representatives. At the deposition, both Erion and DeWayne testified that, for the defendant's first directory compiled in 1976, Johnson used the plaintiff's telephone directory as an initial source for its compilation. Erion responded in a

similar manner to written interrogatories. (Defendant's employees (the enumerators) would look through the plaintiff's directory and "call every listing in the Martinsville telephone book which was within the area to be covered and obtain, if possible, the further information needed for the Community Directory (such as name of spouse, place of employment, and home ownership).") Defendant's Response to Interrogatory No. 8. See Erion Dep. at p. 30-31; DeWayne Dep. at p. 28.

These statements constitute an admission by the defendant that plaintiff's directory was copied. Courts recognize that a compiler of a directory may make fair use of an existing compilation if he first makes an independent canvass, then merely compares and checks his own compilation with that of the copyrighted publication and publishes the result after verifying the additional items derived from the copyrighted publication. *Northwestern Telephone Systems, Inc., v. Local Publications, Inc.* 208 U.S.P.Q. 257, 258 (D.Mont.1979). Since the copyright covers the compilation of the information and not the individual names and addresses, if there is substantial copying from the plaintiff's work without an independent canvass initially, the resulting work will be an infringement even when the defendant later verifies the material by checking the plaintiff's original sources. *Nimmer*, §8.01[E]; see *Jeweler's Circular Publishing Co. v. Keystone Publishing Co.*, 281 F. 83 (2d Cir.), *cert. denied*, 259 U.S. 581, 42 S.Ct. 464, 66 L.Ed. 1074 (1922). Use of other sources or addition of other material to the copied matter does not relieve the defendant from liability. *Schroeder v. William Morrow & Co.*, 556 F.2d 3 (7th Cir. 1977). Similarly, the fact that the copying is alleged by the defendant to be *de minimis* does not alleviate liability, but is only relevant to the question of damages. *National Research Bureau, Inc., v. Kucker*, 481 F.Supp 612 (S.D.N.Y.1979).

[15, 16] An alternative ground for proof of copying by the defendant is the presence of fictitious listings inserted into plaintiff's directory and later present in defendant's directory. Here, plaintiff inserted three fictitious listings in its 1977 directory. If these listings were called, a phone would ring but neither person nor recording would answer. These listings later appeared in defendant's directories and defendant again does not deny it copied these listings. The courts have regarded the existence of common errors in two similar works as the strongest evidence of copying. *Nimmer*, §13.03[C]; *Southwestern Bell Telephone Co. v. Nationwide Independent Directory Service, Inc.*, 371 F.Supp. 900 (W.D.Ark. 1974).

Defendant asserts that 16 additional fictitious listings were included in plaintiff's 1978 directory and the fact that these listings were not in defendant's next directory shows that it did not copy. If these 16 listings were called, a recording would answer that the number was no longer in service. Obviously, the absence of these 16 listings does not deny that defendant copied the three listings inserted earlier. Instead, this absence could show

that the defendant had begun to verify all listings in plaintiff's directory without the wholesale addition to its directory as done earlier. As mentioned above, mere verification, without an independent canvass, does not mitigate the reliance on plaintiff's work. See Nimmer §8.01[E].

THE YELLOW PAGES

Plaintiff Central claims it owns the copyright also on the yellow pages advertisements and the business customers whose advertisements appeared in its directory could not give a second publisher, such as the defendant, the right to reproduce those advertisements. Defendant, in response, contends that the advertisers, whose artwork, trademarks, company names and other business information appear in the advertisements, are the owners of the right to reproduce the advertisements.

[17, 18] When yellow page advertisements, published earlier in a copyrighted directory, are published later in another directory, the second directory will not usually infringe the first directory's copyright. In the absence of an agreement to the contrary, the ownership of, and the copyright on, the advertisements is not in the publisher of the first directory but resides in the advertiser who paid for preparing the advertisement and for its publication. See *Jacobs v. Robitaille*, 406 F.Supp. 1145 (D.C. N.H.1976). If the opposite result were reached, the advertiser would be barred from reproducing his advertisement and the information therein without the first publisher's consent. Even when the publisher has created and prepared the advertisement on behalf of its customer, the advertiser is still the copyright owner. *Electronic Publishing Co. v. Zalytron Tube Corp.*, 376 F.2d 592 (2d Cir. 1967) (advertisements in trade catalog); *Brattleboro Publishing Co. V. Winmill Publishing Corp.*, 369 F.2d 565 (2d Cir. 1966) (newspaper advertisements).

[19] Plaintiff relies on *Southwestern Bell Telephone, supra*, and *Jeweler's Circular Publishing, supra*, to support its position that advertisements may not be copied. Both cases, however, are distinguishable from the case at bar. In both situations, there was some evidence that the second publisher did not perform an independent canvass in obtaining the advertisements. Instead, clippings or artwork from the first publisher was used. In this case, there is no dispute that defendant Johnson hired salesmen to make an independent canvass of the Martinsville business community. In the course of this canvass, clippings of earlier yellow page advertisements were used only as a source and example of the information the business customer wished to advertise. No copyright was infringed in this instance, for it is plaintiff's compilation which receives copyright protection, not the individual advertisements. To the extent the reasoning of *Southwestern Bell Telephone, supra*, still remains to the contrary, I decline to follow it.

CONCLUSION

Upon the foregoing, I find, as a matter of law, that plaintiff Central Telephone Co. has valid copyright protection on its 1976 and 1977 telephone directories. Based upon the absence of a genuine issue of material fact, I find that defendant Johnson Publishing Co. has infringed the plaintiff's copyright on the listings in the white pages of plaintiff's 1976, 1977 and 1979 telephone directories. I also find, as a matter of law, that plaintiff does not possess the copyright protection on the advertisements in the yellow pages of plaintiff's 1976, 1977 and 1980 telephone directories, and, therefore, it is unable to state a claim for copyright infringement based on the copying of yellow page advertisements. It is therefore

ORDERED that, as a matter of law, defendant Johnson Publishing Company's motion for summary judgment concerning the validity of the copyright on plaintiff's 1976 and 1977 telephone directories is denied. It is further

ORDERED that there is no genuine issue of material fact concerning the validity and infringement of plaintiff Central Telephone Company's copyright on its 1976, 1977 and 1979 telephone directories. Therefore, plaintiff's motion for summary judgment based on copyright infringement of the white page listings is granted, and concerning the advertisements in the yellow pages, is denied. It is further

ORDERED that the trial date of November 23, 1981 will be maintained to determine damages, if any, to which the plaintiff is entitled because of the copyright infringements.

Michael **CHRISTOPHER**, t/a Barn Dinner Theatre, Appellee, v. Ardith
CAVALLO, Appellant

No. 80-1712

*(United States Court of Appeals, Fourth Circuit—Argued May 5,
1981—Decided October 30, 1981)*

662 F.2d 1082. 218 USPQ 396

[See also *Hospital for Sick Children v. Melody Fare Dinner Theatre*, 516 F.Supp. 67, 209 USPQ 749, 44 C.O.Bull. 488 (E.D. Va., June 12, 1980); 672 F.2d 909 (4th Cir.—*Affirmed without published opinion*, Oct. 1, 1981)]

Theater operator sued to recover amount recovered by copyright owner and other damages from playwright on grounds that she fraudulently misrepresented that her work did not constitute infringement upon copyright to another play and that she had breached her warranty that she had sufficient title to her play to sell or license it. The United States District Court for the Eastern District of Virginia, at Alexandria, Richard B. Kellam, J., denied playwright's motion to dismiss claims for lack of subject-matter jurisdiction and upon trial found that playwright was liable to theater operator as a result of her breach of warranty of good title, and she appealed. The Court of Appeals, Widener, Circuit Judge, held that federal question jurisdiction existed over suit as suit required construction of the Copyright Act.

Affirmed.

1. Contracts

Under Virginia law, an essential element of cause of action for breach of warranty is allegation of fact of breach.

2. Federal Courts

Federal question jurisdiction existed over suit by theater operator against playwright for alleging that playwright fraudulently misrepresented her work did not constitute infringement upon copyright to another play and that she had breached her warranty that she had sufficient title to her play to sell or license it, as suit required construction of Copyright Act. 28 U.S.C.A. §1338(a).

J. Michael Cleary, Washington, D.C. (E. Fulton Brylawski, Brylawski & Cleary, Washington, D.C., La Rue Van Meter, Falls Church, Va., on brief), for appellant.

Thomas L. Rowe, Chesterfield, Va. (Henry A. Conner, Jr., Richmond, Va., on brief), for appellee.

Before WINTER, Chief Judge, and RUSSELL and WIDENER, Circuit Judges.

WIDENER, *Circuit Judge*. On March 5, 1979, the appellant, Ardith Cavallo, entered into a contract with Michael Christopher, the operator of the Barn Dinner Theater in Richmond, Virginia, licensing Christopher to produce and present to the paying public a musical play entitled "Peter Pan—The Magical Musical," which play she claimed to own and to have principally created. This work closely resembled the classic play by James M. Barrie entitled "Peter Pan or The Boy Who Would Not Grow Up," the copyright for which is held by The Hospital for Sick Children, Great Ormond Street, London, and which is licensed for production in the United States exclusively by Samuel French, Inc.¹ Upon discovering that Christopher intended to produce Mrs. Cavallo's work, the Hospital and

¹That Cavallo's work constituted an infringement upon the Barrie copyright was decided in the related case of *The Hospital for Sick Children, Great Ormond Street, London, et al. v. Melody Dinner Theater, et al.*, 516 F.Supp. 67 (E.D.Va. 1980), which we have affirmed in No. 80-1711, ____ F.2d ____ (4th Cir. 1981). The district court's decision in that case preceded the trial of the instant case and was held to determine the issue of infringement in the present case by collateral estoppel.

French sought and obtained an injunction of that production, and were awarded the sum of \$5,000.00⁴ in lieu of actual damages, statutory damages, profits, attorneys' fees and costs.

In the instant case, Christopher sued to recover this sum and other damages from Mrs. Cavallo on the grounds that she fraudulently misrepresented that her work did not constitute an infringement upon the Barrie copyright and that she had breached her warranty that she had sufficient title to her play to sell or license it. The district court denied appellant's motion to dismiss these claims for lack of subject matter jurisdiction and upon trial held that Mrs. Cavallo was liable to Christopher as a result of her breach of warranty of good title. She appeals, and we affirm.

While Mrs. Cavallo bases her appeal on several grounds, we find only the challenge to the district court's assertion of subject matter jurisdiction worthy of discussion. In his complaint, Christopher asserted that this action arises under the copyright laws of the United States and under the law of Virginia and thus is subject to adjudication in the district court. Mrs. Cavallo challenges this assertion, contending that the complaint did not raise an issue requiring the interpretation of the copyright laws of the United States and that, absent an allegation of another jurisdictional basis, Christopher's claims were not cognizable in the district court.

Congress has granted the district courts exclusive original jurisdiction of civil actions arising under any Act of Congress relating to copyrights. 28 U.S.C. §1338(a). Whether such a question is presented is determined from the plaintiff's initial pleading. *Louisville & Nashville Railroad Company v. Mottley*, 211 U.S. 149, 152, 29 S.Ct. 42, 43, 53 L.Ed. 126 (1908). "To bring a case within the statute, a right or immunity created by the Constitution or laws of the United States must be an element, *and an essential one*, of the plaintiff's cause of action." *Gully v. First National Bank*, 299 U.S. 109, 112, 57 S.Ct. 96, 97, 81 L.Ed. 70 (1936) (emphasis added); *McCorkle v. First National Pennsylvania Banking & Trust Company*, 459 F.2d 243, 250 (4th Cir. 1972). Applying this principle in the context of a copyright claim in *T.B. Harms Company v. Eliscu*, 339 F.2d 823, 828 (2d Cir. 1964), Judge Friendly stated that an action may be said to arise under the Copyright Act where the complaint ". . . asserts a claim requiring the construction of the Act," Christopher's complaint asserts such a claim.

[1, 2] Under Virginia law, an essential element of a cause of action for breach of warranty is an allegation of the fact of the breach. *Howell v. Cowles*, 6 Grat. (47 Va.) 393, 397 (1849). The complaint here fulfilled that requirement by asserting that, contrary to Mrs. Cavallo's representation that she had the right to license or sell her play, and that it did not infringe Barrie's copyright, the licensing of that property constituted an infringement thereof. Proof of that claim plainly required the construction of the copyright laws of the United States in order to establish the existence of

the infringement, for the existence of the infringement was necessary to prove the breach of warranty. This case is, therefore, cognizable pursuant to 28 U.S.C. §1338(a) as one which presents a substantial federal question as one of its essential elements.²

We have considered the arguments of appellant with respect to collateral estoppel and lack of liability on the claim of warranty and are of opinion they are without merit.

The judgment of the district court is accordingly

AFFIRMED.

CLASSIC FILM MUSEUM, INC., Plaintiff, v. WARNER BROS., INC.,
Defendant

Civ. No. 75-5 B

(United States District Court, D. Maine—October 7, 1981)

523 F.Supp. 1230. 215 USPQ 286

[See also 453 F.Supp. 852, 199 USPQ 265, 42 C.O.Bull. 121 (D. Me., July 17, 1978); 597 F.2d 13, 202 USPQ 467, 43 C.O.Bull. 172 (1st Cir.—*Affirmed*, Apr. 30, 1979)]

Motion picture lessor brought action against motion picture distributor claiming that distributor had engaged in acts of unfair competition and had violated the antitrust laws by wrongfully asserting ownership of common-law copyright in underlying screenplay of 1937 motion picture. The District Court, 453 F.Supp. 852, determined that defendant's common-law copyright was not infringed, and defendant appealed. The Court of Appeals, 597 F.2d 13, affirmed. After distributorship dismissed its remaining counterclaim, and after lessor abandoned its claim for declaratory and injunctive relief, the District Court, Gignoux, Chief Judge, held that where motion picture distributor unilaterally elected to press its rights in film based on common-law copyright in underlying screenplay, and where lessee and in-

²Nor is the federal claim asserted here insubstantial because it was decided in an earlier case. While a federal question is deemed insubstantial if it presents an issue no longer subject to discussion in light of prior decisions, *McGilvra v. Ross*, 215 U.S. 70, 80, 30 S.Ct. 27, 31, 54 L.Ed. 95 (1909), this is the case only where such prior decisions render the claim frivolous or unsound. *Hagans v. Lavine*, 415 U.S. 528, 537-38, 94 S.Ct. 1372, 1379, 39 L.Ed.2d 577 (1974). In the case at hand, Christopher's assertion that the Cavallo play infringed upon the Barrie copyright was not rendered frivolous or unsound by the prior decision; rather, Christopher's position is supported by that decision.

surance underwriter, without coercion, independently made decisions not to insure and not to lease film, actions of distributor, lessee and insurance underwriter did not amount to unwitting or "unwilling" combination or conspiracy to block lease of film in violation of the Sherman Act.

Judgment for defendant distributor.

1. Monopolies

The Sherman Act prohibition against contract, combination or conspiracy in restraint of trade or commerce proscribes only joint action and, absent a consensual basis, a violation has not been established. Sherman Anti-Trust Act, § 1, 15 U.S.C.A. § 1.

2. Monopolies

Where motion picture distributor unilaterally elected to press its right in 1937 film based on assertion of ownership of common-law copyright in underlying screenplay, and where decisions by motion picture lessee not to lease 1937 movie print from lessor and by insurance underwriter not to provide errors and omissions insurance for film were made independently, without coercion by distributor, actions of distributor, lessee and insurance underwriter did not amount to unwitting or "unwilling" combination or conspiracy to block lease of film in violation of the Sherman Act. Sherman Anti-Trust Act, § 1, 15 U.S.C.A. § 1.

3. Monopolies

The Sherman Act does not preclude a good-faith attempt to assert or protect a patent or copyright interest even if unsuccessful, and thus motion picture distributor did not violate antitrust laws by attempting to prolong term of expired statutory copyright on 1937 movie based on ownership of common-law copyright in underlying screenplay. Sherman Anti-Trust Act, § 1, 15 U.S.C.A. § 1.

Robert N. Moore, Island Falls, Me., Douglas M. Smith, Dover-Foxcroft, Me., Robert E. Mittel, Portland, Me., for plaintiff.

John W. Philbrick, Howard H. Dana, Jr., Portland, Me., Stanley Rothenberg, New York City, for defendant.

MEMORANDUM OF OPINION AND ORDER OF THE COURT

GIGNOUX, *Chief Judge*. In January 1975 plaintiff Classic Film Museum, Inc. (Classic) instituted this action for declaratory and injunctive relief and damages against Warner Bros., Inc. (Warner), claiming, in essence, that Warner had "engaged in acts of unfair competition" and "violated the antitrust laws of the United States by conspiring with others" to prevent Classic's attempts to lease prints of the original 1937 version of the motion picture "A Star is Born" by wrongfully asserting ownership of a common law copyright in the underlying screenplay.¹ Warner counterclaimed for infringement of its common law copyright and for return of the film prints in Classic's possession.

On an agreed statement of facts, this Court held that Warner's common law copyright in the unpublished screenplay could not be enforced against a distributor of the derivative motion picture on which the statutory

¹ Jurisdiction is variously asserted under 28 U.S.C. §1331, 1332, 1337 and 1338.

copyright had not been renewed. *Classic Film Museum, Inc. v. Warner Bros., Inc.*, 453 F.Supp. 852 (D.Me.1978), *aff'd*, 597 F.2d 13 (1st Cir. 1979). Warner then dismissed its remaining counterclaim, and Classic abandoned its claim for declaratory and injunctive relief. There remains for determination by the Court only Classic's claim for damages resulting from Warner's alleged violation of Section 1 of the Sherman Act, 15 U.S.C. § 1.²

The instant phase of the action has been tried to the Court without a jury, and the issues have been comprehensively briefed and argued by counsel. The following memorandum opinion contains the Court's findings of fact and conclusions of law, as required by Fed.R.Civ.P. 52(a).

I

THE FACTS

Classic, a Maine corporation, is engaged in the business of licensing and renting prints of motion picture films for theatrical, nontheatrical and television exhibition. Warner, a Delaware corporation, produces and distributes motion picture films for theatrical, nontheatrical and television exhibition.

Classic initially leased films only to schools and libraries, but in the mid-1970's it ventured into the television market. To that end, in November 1974 Classic negotiated a contract with RKO General (RKO), whereby Classic leased three films to RKO for a specified number of broadcasts on several television stations over a six-year period. One of the leased films was the 1937 version of "A Star is Born." The RKO contract required Classic to obtain errors and omissions insurance for the films involved, the issuance to include liability coverage for copyright infringement. Classic's attorney, Stuart A. White, Esq., applied for such insurance in the fall of 1974.

On December 23, 1974, while Classic's insurance application was pending, an attorney in Warner's legal department, Bernard R. Sorkin, Esq., wrote Classic that its offering for telecasting of two prints—"A Star is Born" and "Tarzan and the Green Goddess"—constituted a violation and infringement of Warner's rights to the pictures, as well as of Warner's rights to the underlying literary material and music. Sorkin demanded that Classic cease offering these films and return to Warner all prints in Classic's possession. Otherwise, Warner would "feel free to take such action as it deems appropriate without further notice."

²At oral argument, Classic's counsel conceded that the necessary predicate for a claim under Section 2 of the Sherman Act, 15 U.S.C. § 2, had not been laid. *See generally United States v. Grinnel Corp.*, 384 U.S. 563, 86 S.Ct. 1698, 16 L.Ed.2d 778 (1966). Nor has Classic pressed any right to recover for alleged acts of unfair competition or under state law.

On December 31, 1974, White replied to Sorkin's letter. White stated that Classic did not have a print of the Tarzan motion picture and that, with respect to "A Star is Born," Classic intended to lease the original 1937 version of that picture, the statutory copyright on which it believed to have expired in 1965.

In response to White's letter, Sorkin, by a letter dated January 10, 1975, reiterated Warner's claim to exclusive rights in the 1973 version of "A Star is Born" by virtue of its common law copyright in the underlying literary property. As in his initial letter of December 23, 1974, Sorkin stated that Warner would "feel free to take such action as it deems appropriate" if Classic did not return the prints.

By a letter dated January 24, 1975, White notified Classic's insurance agent, Charles W. Tucker, with a copy to RKO's counsel, Paul J. Quinn, Esq., that Warner claimed exclusive rights to "A Star is Born." White added that he believed Warner's claim was "without legal justification."³ Quinn contacted Warner's chief studio counsel, Paul Knecht, Esq., who confirmed that Warner did claim exclusive rights in the film and intended to bring an action against Classic, if necessary to enforce those rights. Knecht suggested that Warner might be forced to name RKO as a defendant if RKO intended to broadcast the film.

In February 1975, Classic's insurance underwriter, Pacific Indemnity, informed White that Classic's application had been rejected.⁴ When White informed Quinn that Classic was unable to obtain the insurance required by the RKO contract, Classic and RKO agreed to modify the contract by deleting "A Star is Born." Under the terms of the modified contract, RKO

³Quinn apparently had previously learned of Warner's claim as the result of a January 7, 1975 telephone call from Chris Steinbrunner, Manager of Film and Program Service at WOR-TV in New York, in which Steinbrunner reported a possible dispute over the film rights to "A Star is Born" with a Los Angeles television station which claimed to have purchased exclusive broadcast rights from Warner.

⁴At trial, defendant objected on hearsay grounds to the admission of White's testimony concerning his conversations with the underwriter's representative, a Mr. Grant. White testified that Grant had told him that Classic's application had been turned down on the advice of the legal department, which was concerned about Warner's claim *and* insufficient documentation of Classic's right to this film, which Classic had represented to be in the public domain.

The Court received the evidence subject to a motion to strike. Plaintiff contended that Grant's explanation was admissible to show his "state of mind" under Fed.R.Evid. 803(3) and that the testimony was relevant as showing that the denial of insurance was a direct result of Warner's claim. Although the Court remains unpersuaded that this evidence comes within Rule 803(3), *see* Advisory Comm. Note, Fed.R.Evid. 803(3), it nevertheless has been considered. Significantly, it developed on cross-examination that Grant did not state that Warner's infringement claim was the sole reason that Classic's application was denied; White admitted that Grant also stated that the underwriter had not been provided with adequate documentation of the source of Classic's films and that the underwriter did not generally issue the requested coverage for films in the public domain.

agreed to lease the other two films in the original contract for the agreed amount, less the approximately \$2,000 which it had already paid to Classic.

II

THE LAW

[1] On the foregoing facts, Classic has wholly failed to establish a violation of Section 1 of the Sherman Act. That section makes illegal “[e]very contract, combination in the form of a trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States.” 15 U.S.C. §1 (emphasis added). Section 1 proscribes only joint action. *Ford Motor Co. v. Webster’s Auto Sales, Inc.*, 361 F.2d 874, 878 (1st Cir. 1966). “Fundamental then to any section 1 violation is the finding of an agreement between two or more parties.” *Id.* Absent such a consensual basis, a Section 1 violation has not been established. *Id.* See also *Walker v. Providence Journal Co.*, 493 F.2d 82, 87 (1st Cir. 1974); *Harvey v. Fearless Farris Wholesale, Inc.*, 589 F.2d 451, 453 (9th Cir. 1979); *Homefinder’s of America, Inc. v. Providence Journal Co.*, 471 F.Supp. 416, 421–22, (D.R.I.1979), *aff’d*, 621 F.2d 441 (1st Cir. 1980); 1 Von Kalinowski, Antitrust Laws and Trade Regulation, §6.01[3].

[2] Classic apparently concedes that there was no agreement between Warner and anyone else to restrain Classic’s leasing of the film in issue. Classic suggests, however, that the actions of Warner, RKO, the insurance underwriter and various television stations amounted to an unwitting or “unwilling” combination or conspiracy to block Classic’s lease of the film.

Classic’s position lacks both factual and legal support. The cases upon which Classic relies present situations in which there were specific agreements among the parties, although acquiescence in the scheme may have been coerced. See *Albrecht v. Herald Co.*, 390 U.S. 145, 88 S.Ct. 869, 19 L.Ed.2d 998 (1968) (newspaper publisher coerced carrier and others to agree to lure customers away from another carrier who refused to abide by publisher’s price ceiling); *Fashion Originators’ Guild of America, Inc. v. FTC*, 312 U.S. 457, 61 S.Ct. 703, 85 L.Ed. 949 (1941) (garment manufacturers’ guild coerced unwilling members and retailers to agree to cooperate with guild’s boycott program); *Ford Motor Co. v. Webster’s Auto Sales, Inc.*, *supra* (manufacturer coerced dealers into agreeing not to sell “company cars” to independent used car dealers in the same town).

The facts of record in the present case do not support plaintiff’s contention. The evidence neither establishes, nor supports a justifiable inference of, coerced acquiescence in a combination or conspiracy. The evidence before the Court shows that Warner acted unilaterally in deciding to assert exclusive rights to “A Star is Born.” Warner did no more than make a legal

judgment about its rights and communicate that judgment to Classic. Nor does the evidence reveal any attempt by Warner to convey this decision to RKO or to the insurance underwriter, or to influence either entity. RKO apparently first became aware of Warner's claim through personnel at one of the New York television stations with which it dealt, and confirmed this understanding by contacting Warner. In deciding to exercise its right under the contract and to forego leasing an uninsured film, RKO clearly was acting in its own self-interest. Similarly, it was Classic's attorney, White, who informed the insurance underwriter of Warner's claim. There is no evidence to suggest that Warner made any attempt to convey that information to the underwriter, or in any way to affect the latter's insurance decision.

In sum, the present record shows that Warner unilaterally elected to press its rights in the film and that RKO and the insurance underwriter, without coercion by Warner, independently made decisions dictated solely by their own business interests. This does not fall within the proscription of the Sherman Act. See *Homefinder's of America, Inc. v. Providence Journal Co.*, *supra* at 421. See also *United States v. Colgate & Co.*, 250 U.S. 300, 307, 39 S.Ct. 465, 468, 63 L.Ed. 992 (1919); *United States v. Parke, Davis & Co.*, 362 U.S. 29, 44, 80 S.Ct. 503, 511-12, 4 L.Ed.2d 505 (1960).

[3] Classic appears to argue that, even though Warner was not engaged in a combination or conspiracy, Warner nevertheless violated the antitrust laws by unlawfully attempting to prolong the term of the expired statutory copyright on "A Star is Born." In advancing this argument, Classic relies upon *Brulotte v. Thys Co.*, 379 U.S. 29, 32, 85 S.Ct. 176, 179, 13 L.Ed.2d 99 (1964), in which the Supreme Court held that it is unlawful for a patentee to attempt to extend a statutory patent monopoly by contract. See also *Scott Paper Co. v. Marcalus Mfg. Co.*, 326 U.S. 249, 256, 66 S.Ct. 101, 104, 90 L.Ed. 47 (1945). The instant case is, however, distinguishable from *Brulotte*. The basis of Warner's infringement claim against Classic was not its expired statutory copyright; Warner claimed that its common law copyright in the underlying literary work and music gave it exclusive rights to the derivative film. Although this Court and the Court of Appeals rejected this argument, it was not frivolous or a sham. See *Classic Film Museum, Inc. v. Warner Bros., Inc.*, *supra*, 453 F.Supp. at 855, 597 F.2d at 14 (and cited cases). The Sherman Act does not preclude a good faith attempt to assert or protect a patent or copyright interest, even if unsuccessful. *Handgards, Inc. v. Ethicon, Inc.*, 601 F.2d 986, 992-96 (9th Cir. 1979), *cert. denied*, 444 U.S. 1025, 100 S.Ct. 688, 62 L.Ed.2d 659 (1980); *Edward B. Marks Music Corp. v. Colorado Magnetics, Inc.*, 497 F.2d 285, 290-91 (10th Cir. 1974); *Alberto-Culver Co. v. Andrea Dumon, Inc.*, 466 F.2d 705, 711 (7th Cir. 1972). See *California Motor Transport Co. v. Trucking Unlimited*, 404 U.S. 508, 92

S.Ct. 609, 30 L.Ed.2d 642 (1972); *Semke v. Enid Automobile Dealers Ass'n*, 456 F.2d 1361, 1366 (10th Cir. 1972).

ORDER

Judgment will be entered for defendant Warner Bros., Inc. against plaintiff Classic Film Museum, Inc., dismissing the action with prejudice and with costs.

IT IS SO ORDERED.

Fritz CONNER, Plaintiff, v. MARK I, INC., an Illinois corporation, and April House, Inc., Defendants

No. 79 C 4969

(United States District Court, N. D. Illinois, E. D. — March 18, 1981)

509 F.Supp. 1179. 213 USPQ 116

Action was brought for common-law copyright infringement. Upon defendant's motion for summary judgment, the District Court, Bua, J., held that appearance of plaintiff's photograph without statutory copyright in urban newspaper constituted a general, rather than limited, publication which divested plaintiff, who submitted the photograph to newspaper to be published at its discretion, of any common-law copyright protection.

Motion granted.

1. Copyrights and Intellectual Property

A "limited publication," which does not operate to divest an owner of his common-law copyright protection, is a publication which communicates contents of a work to a definitely selected group and for a limited purpose without right of diffusion, reproduction, distribution or sale; circulation must be restricted both as to persons and purpose or it cannot be called a private or limited publication.

See publication Words and Phrases for other judicial constructions and definitions.

2. Copyrights and Intellectual Property

Appearance of plaintiff's photograph without statutory copyright in urban newspaper constituted a general, rather than limited, publication which divested plaintiff, who submitted the photograph to newspaper to be published at its discretion, of any common-law copyright protection. 17 U.S.C.A. § 101.

3. Copyrights and Intellectual Property

It is only the action of copyright owner which will establish existence of constraints on publication such that the publication will be deemed only a limited publication, which does not operate to divest owner of his common-law copyright protection.

Roger L. Harris, Harris & Goldstein, Chicago, Ill., for plaintiff.
Erwin I. Katz, Hoffman & Davis, Chicago, Ill., for defendant.

BUA, *District Judge*. This cause comes before the court on the motion of defendant Mark I, Inc. for summary judgement.¹ Rule 56(b), Fed.R.Civ.P. For the reasons hereinafter stated, this motion will be granted.

This is an action for common law copyright infringement, brought pursuant to 17 U.S.C. §101, *et seq.* Federal jurisdiction over the cause lies pursuant to 28 U.S.C. §1338(a),² and, as defendant Mark I, Inc. is an Illinois corporation having its principal place of business in Chicago, venue in the Northern District of Illinois is proper under 28 U.S.C. §1391(b) & (c), *see* footnote 1, *supra*.

Facts

The facts in this case are not in dispute. In 1961 the plaintiff, Fritz Conner, and his wife, both amateur photographers, took a series of photos of their St. Bernard dog playing with a chipmunk. Mr. Conner submitted several of these photographs to the Columbus Dispatch, a general circulation newspaper published in Columbus, Ohio, for possible publication, at the newspaper's discretion, in the Dispatch's nature column.³ One of his photographs was selected, and printed in the September 24, 1961 edition of the newspaper. Neither that photograph nor the specific edition of the Dispatch in which it ran, however, was copyrighted.

Plaintiff later licensed his "Dispatch photo" to *Life Magazine* for publication in a copyrighted edition of *Life* on October 20, 1961. Thereafter, the photograph was licensed for appearance in a number of publications throughout the world, and for use in various other media.

During 1976 and 1977, Conner came across several items, including a memo pad and poster, which contained a display of his "Dispatch photo". These items were distributed by April House, Inc., a corporation later purchased by Mark I, Inc. *See* footnote 1, *supra*. Plaintiff Conner never consented to or licensed these uses of his photograph by April House or Mark I, and until shortly before the institution of this litigation, had never had any direct contact with those entities.

¹ On or about December 31, 1976 defendant April House, Inc. was dissolved and merged into a successor corporation. That corporation then, at a later point in time, became part of Mark I, Inc.

² The complaint lists 17 U.S.C. §501 & 504 as the bases for federal jurisdiction in this cause. 17 U.S.C. §501, however, is merely an authorization provision which permits a plaintiff to bring suit under the Copyright Act, subject to the express requirements of that statute, *Burns v. Rockwood Distributing Co.*, 481 F.Supp. 841, 845 n.1 (N.D.Ill. 1979), and §504 provides only for recovery of actual and/or statutory damages.

³ The negatives of the photograph he submitted, however, always remained in the possession of Mr. Conner.

Opinion

The pivotal question in this litigation is whether plaintiff Conner maintained a common law copyright in the photograph at issue following the publication and distribution of that photograph in the September 24, 1961 edition of the *Columbus Dispatch*. If that publication and distribution constituted a general publication, under the law this will operate to divest the plaintiff of his common law copyright protections. N. Nimmer, *Nimmer on Copyright* §4.13[A], at 4-65.

The Copyright Act of 1976, effective January 1, 1978, virtually pre-empted the area of copyright law. 17 U.S.C. §301. Under the Act, many works created prior to January 1, 1978, which previously had been protected only by common law copyrights, became the subject of a new statutory copyright. 17 U.S.C. §303. In order to qualify for and receive this statutory protection, though, the work in question had to be one never placed in the public domain. M. Nimmer, *Nimmer on Copyright* §4.13; *Burke v. National Broadcasting Co.*, 598 F.2d 688, 691 (1st Cir.), *cert. denied*, 444 U.S. 869, 100 S.Ct. 144, 62 L.Ed.2d 93 (1979). Such being the law, the issue in the case at bar thus is whether plaintiff Conner's photograph was "placed in the public domain" when it appeared in the *Columbus Dispatch* on September 24, 1961.

[1] Plaintiff Conner argues that this appearance constituted only a limited publication, which does not operate to divest an owner of his common law copyright protection. *American Tobacco Co. v. Werckmeister*, 207 U.S. 284, 299-300, 28 S.Ct. 72, 77, 52 L.Ed. 208 (1907); *MacMillan Co. v. I.V.O.W. Corp.*, 495 F.Supp. 1134, 1144-45 (D.Vt. 1980). A limited publication has been defined as a publication "which communicates the contents of a [work] to a definitely selected group and for a limited purpose . . . without the right of diffusion, reproduction, distribution or sale . . . [T]he circulation must be restricted both as to persons and purpose or it cannot be called a private or limited publication." *Burke v. National Broadcasting Co.*, *supra* at 692, quoting *White v. Kimmell*, 193 F.2d 744, 746-77 (9th Cir. 1952) (court's emphasis).

A general publication, on the other hand, is defined as the "distribution of copies . . . of a work to the public by sale or other transfer of ownership. . . . The offering to distribute copies to a group of persons for further distribution . . . constitutes publication." 17 U.S.C. §101. When a general publication has been found, the creator is looked upon as having made his work available in such a manner as to suggest that any interested person could, if he so wished, have a copy. *Burke v. National Broadcasting Co.*, *supra* at 692. See M. Nimmer, *Nimmer on Copyright* §4.04, at 4-20-21.

[2] The appearance of the subject photograph, without statutory copyright, in the *Columbus Dispatch* must, in the court's opinion, be con-

sidered a general, rather than limited, publication. As was noted previously, for a publication to be considered limited, it must be restricted both as to persons and in purpose. In the instant matter, neither of these requirements has been met. Clearly, there was no limitation placed upon the Columbus Dispatch's distribution of the subject photograph, which had been submitted to the newspaper for the purpose of publication and general circulation. Anyone who desired a copy of the photograph could have obtained it simply by purchasing the particular edition of the newspaper in which it ran. That being true, as the "Dispatch photo" was freely available, this publication can only be viewed as general. See *Public Affairs Associates, Inc. v. Rickover*, 284 F.2d 262, 269-70 (D.C.Cir.1960), *vacated for insufficient record*, 369 U.S. 111, 82 S.Ct. 580, 7 L.Ed.2d 604 (1962); *Rexnord, Inc. v. Modern Handling Systems, Inc.*, 379 F.Supp. 1190, 1197 (D.Del.1974).

There was, in addition, no limitation placed upon the purpose for which the Columbus Dispatch photograph could be used. Such limitations, where present, generally preclude recipients of the subject material from reproducing, distributing or selling their copies. M. Nimmer, *Nimmer on Copyrights* §4.13[A]. Lacking this type of limitation as well, the Columbus Dispatch publication at bar must, as a matter of law, be deemed general.

[3] That plaintiff Conner may have intended to place the requisite limitations on the September 24, 1961 publication is irrelevant. This is so because it is only the *actions* of the copyright owner which will establish the existence of such constraints. *Burke v. National Broadcasting Co.*, *supra* at 692; *Public Affairs Associates, Inc. v. Rickover*, *supra* at 270; *King v. Mister Maestro, Inc.*, 224 F.Supp. 101, 103 (S.D.N.Y. 1963). In *King v. Mister Maestro, Inc.*, *supra*, advance copies of a speech Dr. Martin Luther King was to give were provided to members of the press, in the press tent, as part of a press kit. Although finding this to have been a limited publication, the *King* court specifically held that it was legally irrelevant whether Dr. King had actually intended that these copies of his speech be used solely to assist the press in its coverage of the same. The court instead found this to have been Dr. King's purpose solely from his actions in distributing the speech. *Id.* at 103. See *Burke v. National Broadcasting Co.*, *supra* at 692.

In contrast to *King*, the actions of the plaintiff in the matter at bar suggest no such limited purpose. Rather, Mr. Conner's actions appear much more to constitute a willing placement of the subject photograph in the public domain through the unrestricted publication of it in a widely circulated urban newspaper.

The lack of restriction on further dissemination of his photograph aside, however, the plaintiff relies upon the findings of limited publication in the following circumstances as support for his position: the public

delivery of a play, *Ferris v. Frohman*, 223 U.S. 424, 32 S.Ct. 263, 56 L.Ed. 492 (1912); the playing of a song in the public, *Heim v. Universal Pictures Co.*, 154 F.2d 480 (2d Cir. 1946); the public delivery of lectures, *Nutt v. National Institute Inc. for Improvement of Memory*, 31 F.2d 236 (2d Cir. 1929); the radio broadcast of a script, *Uproar Co. v. National Broadcasting Co.*, 8 F.Supp. 358 (D.Mass.1934); the public delivery of a speech, *King v. Mister Maestro, Inc.*, *supra*, and also upon *Burke v. National Broadcasting Co.*, *supra*, a case he contends is "close in point".

An examination of *Burke*, however, reveals clearly that the publication of Mr. Conner's photograph in the Columbus dispatch was one general, rather than limited, in nature. In *Burke*, the plaintiff, an amateur photographer, made available to Dr. Bernard Grzimek, of the University of Gissen in Frankfort, Germany, a copy of a film he [Burke] had shot while in Africa. This film was used by Dr. Grzimek in his University lectures and on his show on German public television, and was subsequently acquired and shown by NBC without the plaintiff's consent. After learning of that showing, Burke brought suit against NBC for infringement of his common law copyright rights.

In reversing a judgment in favor of NBC, the First Circuit Court of Appeals held that Burke's release of his film to Dr. Grzimek amounted to a limited publication, and that it did not constitute such a placing of the work in the public domain as to strip him [Burke] of his common law copyright. The court's holding, however, was based upon its finding that, from the facts presented, the use of the subject film by Dr. Grzimek in Germany was more akin to a performance than any form of general publication. In this regard, the First Circuit reasoned:

Mere performance or exhibition of a work results, at common law, in no publication at all. Under this principle, a film is not 'published' if it merely is shown *but the general public is not permitted to own*—as opposed to borrow—*tangible copies of it*.

598 F.2d at 691 (citations omitted), then concluded:

[A]s *performance* in itself is not publication . . . [p]ublication did not occur merely because the film was shown to the general public.

Id. at 693. (Emphasis added).

In contrast to *Burke*, and to the other cases relied upon by the plaintiff, in the matter at bar the public was able to acquire, without restriction, tangible copies of the subject work. Thus, even under the reasoning in *Burke* the appearance of the Conner photograph in the Columbus Dispatch would not constitute a simple performance, or otherwise be a limited publication.

Conclusion

For the reasons set forth above, the motion for summary judgment of defendant Mark I, Inc. is GRANTED.

IT IS SO ORDERED.

CO-OPPORTUNITIES, INC., Plaintiff, v. NATIONAL BROADCASTING COMPANY, INC., Defendant.

No. C-79-2321-MHP

(United States District Court, N. D. California—February 17, 1981)

510 F.Supp. 43. 211 USPQ 103

Co-op advertising service brought action against national network alleging copyright infringement, federal and state antitrust violations and unfair trade practices. On national network's motion for summary judgment, the District Court, Patel, J., held that: (1) national network's practice of providing for free co-op advertising services to its radio affiliates did not violate the Sherman Act or California state antitrust law; (2) although co-op advertising service did not acquire right to sue on prior acts of infringement at the time it was assigned copyright, it acquired such right by express assignment while infringement action was pending and such acquisition related back to the filing of the complaint avoiding the bar of the statute of limitations; (3) co-op advertising service's assignor's execution of a "Notice of Assignment of Copyrights" two months prior to the initial filing of the infringement action was sufficient to satisfy the recordation prerequisite to the infringement action; (4) California statutes prohibiting the sale or use of a "loss leader" and the sale below cost or giving away of a product for the purpose of injuring competition were not applicable to national network's practice of providing free co-op advertising service to its radio affiliates.

Motion granted in part and denied in part.

1. Monopolies

Assuming that network programming and cooperative advertising service represented two distinct markets, national network's practice of providing free co-op advertising service to its radio affiliates did not violate the Sherman Act or the California state antitrust law, in the absence of a showing that the network was engaged in predatory pricing as a means to unfair advantage in co-op services, or that it had the specific intent to monopolize the market. Sherman Anti-Trust Act, §§ 1, 2, 15 U.S.C.A. §§ 1, 2; West's Ann.Cal.Bus. & Prof. Code §§ 16700-16758

2. Statutes

Federal cases interpreting the Sherman Act apply as well to Cartwright Act claims. Sherman Anti-Trust Act, §§ 1, 2, 15 U.S.C.A. §§ 1, 2; West's Ann.Cal.Bus. & Prof. Code §§ 16700-16758

3. Copyrights and Intellectual Property

Assignment of a copyright does not include an assignment of existing causes of action for infringement.

4. Limitation of Actions

Where there is no risk of double suit or double recovery and where defendant has not been prejudiced by change in the status of plaintiff by amendment or otherwise, the statute of limitations should not be a bar to the resolution of an action on the merits between the real parties in interest.

5. Limitation of Actions

Although co-op advertising service did not acquire right to sue on prior acts of infringement at the time it was assigned copyright, it acquired such right by express assignment while the infringement action was pending and such acquisition related back to the filing of the complaint avoiding the bar of the statute of limitations.

6. Copyrights and Intellectual Property

Co-op advertising service's assignor's execution of a "Notice of Assignment of Copyrights" two months prior to initial filing of infringement action was sufficient to satisfy the recordation prerequisite to infringement action. 17 U.S.C.A. § 205(d).

7. Copyrights and Intellectual Property

Even if co-op advertising service's assignor's execution of a "Notice of Assignment of Copyrights" two months prior to the initial filing of infringement action did not meet the recordation prerequisite for infringement action, a subsequent recordation of the assignment sufficiently cured the defect and related back so that the assignee acquired a right to sue as of the date of the filing of the action. 17 U.S.C.A. § 205(d).

8. Trade Regulation

California statute prohibiting the sale or use of a "loss leader" did not apply to national network's practice of providing free co-op advertising service to its radio affiliates, as no sale was involved. West's Ann.Cal.Bus. & Prof.Code, §§ 17030, 17044.

9. Trade Regulation

California statute prohibiting the sale below cost or giving away of a product for the purpose of injuring competition was not applicable to national network's practice of providing free co-op advertising service to its radio affiliates, as there was no evidence that the network normally sold co-op services. West's Ann.Cal.Bus. & Prof.Code, § 17043.

10. Trade Regulation

Even assuming that California statute prohibiting the sale below cost or giving away of a product for the purpose of injuring competition was violated by national network's practice of providing free co-op advertising service to its radio affiliates, there could be no recovery for such violation in the absence of a demonstration of the network's intent to injure competitors or destroy competition. West's Ann.Cal.Bus. & Prof.Code, § 17043.

11. Trade Regulation

Under California law, presumption of injurious intent, arising upon proof of below cost selling or giving away of a product and injurious effect, is rebuttable. West's Ann.Cal.Bus. & Prof.Code, §§ 17043, 17071.

Boone & Knudsen, Halley, Corffell & Lynch, San Francisco, Cal., for plaintiff.

Morrison & Foerster, San Francisco, Cal., for defendant.

OPINION

PATEL, *District Judge*. This action is before the court on defendant NBC's motion for summary judgment. Plaintiff is alleging copyright infringement, federal and state antitrust violations and unfair trade practices.

Plaintiff Co-opportunities, Inc., incorporated in June 1977, is engaged in the business of providing information to radio and television advertising staff regarding currently available cooperative advertising programs. One of plaintiff's services is a loose-leaf publication with monthly supplements entitled *Co-opportunities*. Prior to incorporation, plaintiff's predecessor Broadcast Marketing Co. [BMC] provided the cooperative advertising service. From 1974-1976 Ms. Jan Wohlers worked for BMC and was primarily responsible for producing the co-op service.

In early 1976, NBC entered into an agreement with BMC which provided among other things that NBC could offer the co-op services to its radio affiliates at a twenty percent discount. NBC wished to provide this service to its affiliates as a means of promoting itself in the intensely competitive national network industry.¹

In August 1976, Ms. Wohlers left the employ of BMC and entered into an arrangement with NBC whereby Ms. Wohlers would provide defendant with a co-op advertising service as an independent contractor. NBC then began providing such a service free of charge to its radio affiliates. It is this *Dataline* service to which plaintiff's claim of copyright infringement is directed.

In June 1977, Co-opportunities, Inc., was incorporated to carry on the work of BMC. During this period of time, William McGee, the sole proprietor of BMC transferred his various copyrights, including those to *Co-opportunities*, and "all assets" of BMC to plaintiff in exchange for stock in the new corporation. The copyright transfer was registered in December 1978 and a Notice of Assignment of Copyrights was recorded in July 1979 shortly before and in contemplation of bringing this action.

1. ANTITRUST CLAIMS

Federal Claim

Plaintiff's first claim is for violation of federal antitrust law. Defendant amply demonstrates and plaintiff does not attempt to refute that the practice of NBC in distributing copies of its *Dataline* service free to affiliates is not an illegal tying arrangement. Plaintiff argues however that NBC violates the Sherman Act, 15 U.S.C., when it uses its economic power in

¹Affiliates receive compensation from the national network in exchange for broadcasting NBC's programming. The national network makes its profit by selling commercial time to national advertisers. (Def's Summary Judgement Memorandum, at 5.)

the radio network programming market for co-opportunity publications. Plaintiff does not expressly set forth in its opposition to motion for summary judgment whether it is arguing a §1 violation, a §2 violation or both, but appears to be arguing a combined restraint of trade/attempted monopolization theory.

[1] Assuming without deciding that network programming and co-opportunity services represent two distinct markets, plaintiff still cannot prevail under its theory. To defeat summary judgment, plaintiff must show that defendant has a dominant position in the market for network programming and that it has exploited that position for the purpose of obtaining unfair advantage in the co-opportunity service market. *Times-Picayune Publishing Co. v. United States*, 345 U.S. 594, 73 S.Ct. 872, 97 L.Ed. 1277 (1953); *ALW, Inc. v. United Air Lines, Inc.*, 510 F.2d 52 (9th Cir. 1975). Although plaintiff cites several broadcast cases that recognize the existence of certain property rights to media dissemination, i.e., early reporting of news and exclusive right to broadcast sporting events, the court is not convinced that such protection from appropriation by others creates the same presumption of economic power as does a product protected by copyright. See *Levitch v. Columbia Broadcasting System, Inc.*, 495 F.Supp. 649, 662-68 (S.D.N.Y.1980).

Even assuming sufficient economic power, plaintiff has not made a showing that NBC is engaging in predatory pricing as a means to unfair advantage in co-op services, or that it has the specific intent to monopolize that market. *Janich Bros., Inc. v. American Distilling Co.*, 570 F.2d 848 (9th Cir. 1977). While defendant NBC has submitted evidence that it distributes *Dataline* free of charge and solely for the purpose of increasing its share of the affiliate market, plaintiff has made no showing that NBC intended to expand its dissemination of its co-op publication to nonaffiliate radio networks.² Further, NBC has made a sufficient factual showing that its affiliates remain free to purchase co-op services elsewhere if they choose and that a number of affiliates still purchase co-op services from plaintiff.

Plaintiff suggests that its business has declined because of the free *Dataline* service but submits no evidence to support this claim. However even if some injury was demonstrated, restraint of trade is not determined solely by a showing of injury to any one competitor; the Sherman Act is intended to encourage unfettered competition rather than protect any one business from the rigors of a competitive market. *Sherman v. British Leyland Motors, Ltd.*, 601 F.2d 429, 450 (9th Cir. 1979); *Robert's Waikiki U-Drive v. Budget Rent-A-Car*, 491 F.Supp. 1199, 1212-14 (D.Hawaii 1980). Additionally, defendant has made a showing that plaintiff's

²Although not resting its decision on such distinction, the court has serious doubt that NBC is in the market for co-op services at all but rather is merely a purchaser of services from Ms. Wohlers, plaintiff's true competitor.

business actually increased during the relevant time period. Plaintiff has neither refuted this showing nor addressed the fact that Ms. Wohlers increased competition by going into business for herself.

Based on the foregoing factors and authority, defendant's summary judgement motion with respect to the federal antitrust claim is hereby granted.

State Claim

[2] Plaintiffs have also alleged a violation of state antitrust law under the Cartwright act (Cal.Bus. & Prof.Code §§ 16700-16758). It is well-settled that federal cases interpreting the Sherman Act apply as well to Cartwright Act claims. *General Communications Engineering, Inc. v. Motorola Communications & Electronics, Inc.*, 421 F.Supp. 274, 294 (N.D.Cal.1976). Accordingly, summary judgment is granted defendant on the Cartwright Act claim.

2. COPYRIGHT INFRINGEMENT

Defendant argues that plaintiff lacks standing to sue for copyright infringement and that it has failed to meet procedural requirements for filing an infringement action. The essential facts are not in dispute and the court finds as a matter of law that plaintiff Co-opportunities has the necessary standing to bring this action.

Accrued Causes of Action

[3] The parties are in agreement that the usual assignment of a copyright does not include an assignment of existing causes of action for infringement. *See De Silva Construction Corp. v. Herralld*, 213 F.Supp. 184 (M.D.Fla.1962). The court is not persuaded that *National Council of Young Israel, Inc. v. FEIT Co., Inc.*, 347 F.Supp. 1293 (S.D.N.Y.1972) represents an exception to this general rule applicable to the present case. Although Mr. McGee arguably assigned his copyrights and "all" the assets of BMC to plaintiff, there is no specific assignment of accrued causes of action. Although the court in *National Council* determined that a sale of assets included accrued causes of action for copyright infringement, it expressly based its findings on the existence of a comprehensive and unrestricted conveyance. Plaintiff Co-opportunities has introduced no evidence of any such comprehensive transaction and the court is not persuaded that such an assignment occurred. Plaintiff's argument of a continuing cause of action is unavailing as no specific facts are introduced by way of affidavit or declaration to support the allegation of continuing infringement.

Although plaintiff did not acquire the right to sue on prior acts of infringement at the time it was assigned the copyright, it has now acquired

such right pursuant to the express assignment of accrued causes of action filed in the Copyright Office on December 16, 1980 while this motion was under submission³ The question is whether such an assignment may be allowed to 'relate back' to the time of filing the present suit. As noted above, because there are no facts to support a continuing violation, the three-year statutory period had run at the time of the effective assignment of accrued causes of action.

If the subsequent assignment is allowed to relate back to the filing of the suit, the result is to toll the statute of limitations and leave the plaintiff with a claim that is not time barred.

The court is mindful that the statute of limitations should not be used mechanically to prevent adjudication on the merits between the real parties in interest who had sufficient notice of the proceedings. It can be argued that giving plaintiff retroactive standing to bring suit defeats the purpose for requiring an express assignment of an accrued cause of action. However what little related authority there is on the issue suggests the opposite result.

In a patent infringement action, plaintiff was allowed to amend her complaint to sue as executrix of the deceased patent holder's estate after the statute of limitations had run and after she had initially brought suit in her individual capacity without having title to the patent in question. *Owen v. Paramount Pix*, 41 F.Supp. 557 (S.D.Cal.1941). In an analogous situation, the court stated "[i]t is well settled that, even after the expiration of the statutory period, an assignee may be admitted to an action commenced by his assignor after the assignment but before the statute has run." *Fox-Greenwald Sheet Metal Co. v. Markowitz Bros., Inc.*, 452 F.2d 1346, 1359 (D.C.Cir.1971). Further, amendments made after the statute of limitations has run that change the capacity in which the plaintiff brings suit, are to be liberally construed. 3 Moore's Federal Practice ¶ 15.08[5] (2d. ed. 1976).

[4] Although the above authorities are not concerned with assignment of an accrued cause of action for copyright infringement, the principle is similar. Where there is no risk of double suit or double recovery and where defendant has not been prejudiced by a change in the status of plaintiff by amendment or otherwise, the statute of limitations should not be a bar to the resolution of an action on the merits between the real parties in interest. The problem of double recovery here has been eliminated by McGee's assignment of any cause of action to plaintiff Co-opportunities.⁴

³The court has some concern whether information available to a party before a case is taken under submission, in this case the December filing of the copyright assignment, should be allowed into the record after the matter is submitted. However, defendant took the opportunity to reply to the filing and raised no objection.

⁴Additionally, Mr. McGee states by way of declaration that he intended to assign the right to bring suit on accrued causes of action at the time he transferred BMC's assets to plaintiff. A number of such attempts were made during the course of this action and although abortive, do tend to show the alleged intent.

When the relation back doctrine has the effect of avoiding the statute of limitations bar, additional concerns are whether the defendant was sufficiently put on notice, whether new claims are brought in and whether any injustice will result. *See generally* 3 Moore's Federal Practice ¶ 15.15[3] (2d ed. 1980).

[5] Here defendants were put on notice of the copyright infringement claim at or before the filing of the complaint in this matter. The nature of the claim whether brought in the name of Co-opportunities or McGee is essentially the same. While plaintiff may not have been properly diligent in securing the right to sue, its right to be heard on the merits should not be defeated by an overly technical application of the applicable statute. The court thus holds that Co-opportunities has acquired standing to bring the copyright infringement claim and that its acquisition relates back to the filing of the complaint in this action.

Recordation Requirement

[6] The next obstacle for plaintiff is the recordation requirement of 17 U.S.C. § 205(d). That subsection provides that

[no] person claiming by virtue of a transfer to be the owner of copyright or of any exclusive right under a copyright is entitled to institute an infringement action under this title until the instrument of transfer under which such person claims has been recorded in the Copyright Office, but suit may be instituted after such recordation on a cause of action that arose before recordation.

Two months prior to the initial filing of the present action, plaintiff's assignor executed a "Notice of Assignment of Copyrights." Although not itself the "instrument of transfer under which such person claims", plaintiff argues that such notice is sufficient. Under §204(a), the actual transfer of copyright ownership is valid if "an instrument of conveyance, or a note or memorandum of the transfer is in writing and signed by the owner of the rights conveyed. . . ." While the wording of §205(d) omits "or a note or memorandum of the transfer . . .", the court believes that the import of the statute is to provide record notice of a transfer prior to bringing suit. A record of a prior assignment gives such notice. It is arguable that the legislature would have expressly included the phrase "note or memorandum of the transfer" if it meant to permit such a document to have legal effect, as it did in §204. However defendant has produced no

Defendant argues that McGee was well-versed in basic rules of copyright law and would have expressly assigned accrued causes of action had that been his true intent. Although there is some evidence of Mr. McGee's familiarity with copyright law, the court is willing to accept Mr. McGee's representations for the purpose of this motion. Furthermore, even if McGee did not intend such an assignment prior to suit, as discussed below defendant is not prejudiced by allowing the copyright infringement claim to go forward.

legal authority for that position⁵ and the court believes that rigid concern for the meaning of such an omission would, under the facts of the present case, result in an unnecessary application of form over substance.

[7] Even if the court determined that the Notice of Assignment did not meet the requirements of §205(d), it would still be inclined to hold that the December 16 filing of Copyright Assignment sufficiently cured the §205(d) defect. The question then becomes what effect recordation has on a previously instituted action.

A plain reading of §205(d) indicates that recordation is a condition precedent to institution of suit. A similar interpretation has been given to the registration requirements of 17 U.S.C. §411(a). Both the registration and recordation sections were enacted by the 1976 Copyright Act. Both require registration or recordation, as applicable, before *instituting* suit.⁶

The registration provisions of section 411 have been applied strictly so that failure to plead and prove registration is fatal to an action for infringement. *Strout Realty, Inc. v. Country 22 Real Estate Corp.*, 493 F.Supp. 997 (W.D.Mo.1980) and *Bromhall v. Rorvik*, 478 F.Supp. 361 (E.D.Pa.1979).

However, at least one other post-1976 court has looked favorably upon the curative effects of a late filing. *Frankel v. Stein & Day, Inc.*, 470 F.Supp. 209 (S.D.N.Y.1979). See also *Charron v. Meaux*, 60 F.R.D. 619 (S.D.N.Y.1973). In *Frankel*, the posture of the parties was somewhat similar to that here. A motion for summary judgment had been brought and among other grounds for challenging the court's jurisdiction was a claim that the plaintiff had failed to comply with the registration requirements. In reply to the motion, the plaintiff stated that upon learning of the defect he complied with the registration requirements and sought leave to amend his complaint to allege the compliance. Leave was given. In so doing, the court relied upon *Roth Greeting Cards v. United Card Co.*, 429 F.2d 1106, 1109 (9th Cir. 1970). This pre-1976 case spurned a hypertechnical reading of 17 U.S.C. §13 (§411's predecessor) and allowed supplemental pleadings where statutory provisions were complied with and related back. It should be noted that in neither *Strout* nor *Bromhall*,

⁵One of the few written indications of the meaning of §205(d) is found in 37 C.F.R. §201.4(c)(1980). The Copyright Office is instructed to accept for recordation "[a]ny transfer of copyright ownership (including any instrument of conveyance, or note or memorandum of the transfer). . . ." Such wording suggests that the phrase "instrument of transfer" is to be interpreted broadly.

⁶Section 13 of the Copyright Act of 1909 as amended contained registration provisions similar to section 411 of the 1976 Act. It provided in pertinent part: "No action or proceeding shall be *maintained* for infringement of copyright in any work until the provisions of this title with respect to the deposit of copies and registration of such work shall have been complied with." (Emphasis added). The 1909 Act also contained recordation of assignment provisions but none comparable to subsection 205(d) requiring recordation prior to institution of suit.

both post-1976 cases, is there any suggestion that the plaintiffs registered or made any attempt to register after the bringing of suit.

These cases persuade this court that a similar interpretation should attend subsection 205(d). Therefore the subsequent recordation will be allowed to relate back so that the assignee acquires a right to sue as of the date of filing the action.

3. UNFAIR TRADE PRACTICES

Plaintiff has conceded its false advertising claim against defendant and the remaining state claims involve alleged unfair trade practices under Cal.Bus. & Prof.Code §§ 17043 and 17044.

[8] Section 17044 prohibits the sale or use of a "loss leader" as defined by §17030.⁷ By its express terms §17030 requires a sale "at less than cost". It is undisputed that defendant NBC provides its *Dataline* service free of charge to its affiliates. Plaintiff has cited no authority (and the court finds none) to suggest that § 17044 applies to situations like the present where no sale is involved. The court therefore finds that defendant is entitled to judgment on this count.⁸

Section 17043 provides that "[i]t is unlawful for any person engaged in business within the State to sell any article or product at less than the cost thereof to such vendor, or to give away any article or product, for the purpose of injuring competitors or destroying competition." This section is generally interpreted as referring to horizontal competition. See *Plotkin v. Tanner's Vacuums*, 53 Cal.App.3d 454, 125 Cal.Rptr. 697 (1975).

Defendant argues that it is not a competitor of Co-op opportunities but rather a purchaser of the co-op services from plaintiff's true competitor, Jan Wohlers. Although this may be true in a literal sense, such an interpretation is contrary to the spirit of the Unfair Trade Practices Act and the requirement of section 17002 to liberally construe the Act so as to serve its beneficial purposes. Although NBC is a purchaser of co-op services from Ms. Wohlers, as to its affiliates it is a provider and has represented *Dataline* as an NBC product.

Section 17043 prohibits the sale below cost or the giving away of a product for the purpose of injuring competition. It is undisputed that *Dataline*

⁷Section 17030 provides:

"Loss leader" means any article or product sold at less than cost:

- (a) Where the purpose is to induce, promote or encourage the purchase of other merchandise; or
- (b) Where the effect is a tendency or capacity to mislead or deceive purchasers or prospective purchasers; or
- (c) Where the effect is to divert trade from or otherwise injure competitors.

⁸Even assuming §17044 were to apply, plaintiff would need to demonstrate that defendant NBC had an intent to injure its competitors or destroy its competition. *Dooley's Hardware Mart v. Food Giant Markets, Inc.*, 21 Cal. App.3d 513, 98 Cal.Rptr. 543 (1971). As discussed below, plaintiff has failed to meet its burden on this issue.

is provided to affiliates free of charge. Plaintiff argues however that § 17043 applies to products given away as well as to those sold below cost. Plaintiff cites only one authority in support of its unfair trade practices claim, *Paramount General Hospital v. National Medical Enterprises, Inc.*, 42 Cal.App.3d 496, 117 Cal.Rptr. 42 (1974). Both the wording of § 17043 and the holding in *Paramount* support plaintiff's position that a cause of action may be stated in some situations even though a product is given away rather than sold below cost. The facts in *Paramount* however, are significantly different from the facts presently before the court. In *Paramount*, defendant medical corporation was allegedly selling below cost or giving away medical services and office space to doctors planning to use defendant's adjacent hospital. Plaintiff, a corporation offering similar services several miles away, alleged that defendant was acting intentionally to injure the competition.

In the present situation, the product being given away is in the nature of a gift of an unrelated product rather than an integral part of the network affiliate agreement. This distinction is noted by one commentator on unfair competition.

Despite the broad language of Bus. & P.C. § 17043 prohibiting giving "away any article or product, for the purpose of injuring competitors or destroying competition," the practice of giving away "gifts" of products along with purchases of dissimilar articles appears never to have been questioned in California, and it is likely that the statute would be construed as the cases from other jurisdictions indicate. The prohibition appears to be against giving away the primary article sold, and not against giving away the accompanying premium.

Carver, *Prices, Premiums, and Lotteries*, Legal Aspects of Competitive Business Practices, § 8.137, at 337 (1961) (Calif. Continuing Education at the Bar).

[9] The court is persuaded that the language in § 17043 about 'giving away' a product refers to the giving away of a product that one normally sells. There is no evidence that defendant normally sells co-op services and thus the court finds that plaintiff's § 17043 claim must fail.

[10] Even assuming that § 17043 applied to defendant's practice of providing *Dataline* free of charge, plaintiff has not demonstrated defendant's intent to injure competitors or destroy competition. Section 17071 provides that a presumption of injurious intent may be had upon proof of below cost selling or giving away of a product and injurious effect. Even assuming that providing a free service in this context meets the first requirement, plaintiff has not raised a genuine issue as to whether it was in fact injured by defendant's practice.⁹

⁹Plaintiff submits a letter dated June 1977 from KNBC-TV cancelling its subscription with Co-opportunities. This evidence falls short of that required to defeat summary judgment on the issue of injury. Besides the fact that KNBC is not a radio station, there is no indication of the reason for the cancellation and there is contrary evidence that this station was not receiving NBC's service for most of the relevant time period.

Although it appears from the record that some of plaintiff's customers did not renew their subscription during the period of time NBC was distributing *Dataline*, there is no evidence that the loss of business was a result of defendant's action. Further, plaintiff has not refuted the evidence that its business increased during this period of time, that NBC affiliates were free to purchase any co-op service they wished and that no one service provided complete co-op advertising information. Plaintiff has therefore not introduced evidence sufficient to raise the presumption of injurious intent.

[11] Even had the presumption of injurious intent been shown, such a presumption is rebuttable. *Tri-Q, Inc. v. Sta-Hi Corp.*, 63 Cal.2d 199, 45 Cal.Rprt. 878, 404 P.2d 486 (1965). Defendant has introduced evidence that its purpose in providing the free *Dataline* service was to increase its standing with network affiliates. Plaintiff has introduced no contrary evidence and thus the court concludes that defendant had no intent to injure the competition for co-op services.

Plaintiff's sole remaining claim, a violation of the Lanham Act, has been withdrawn by plaintiff.

For the reasons stated above defendant's motion for summary judgment on claim one (federal antitrust violations), claim three (Lanham Act violations), claim four (state antitrust violations), claim five (state unfair trade practices) and claim six (state unfair and deceptive acts violations) is GRANTED. Defendant's motion for summary judgment on the copyright infringement claim is DENIED.

Counsel for defendant shall submit an order in conformity with this decision.

COSTELLO PUBLISHING CO., et al., Appellants, v. John E. ROTELLE, O.S.A., et al.

COSTELLO PUBLISHING CO., INC., et al. v. John E. ROTELLE, O.S.A., et al., Episcopal Conference of Australia, et al., Appellants

Nos. 80-2147, 80-2196

(United States Court of Appeals, District of Columbia Circuit—Argued June 15, 1981—Decided November 10, 1981—As amended December 16, 1981)

670 F.2d 1035. 216 U.S.App.D.C. 216. 212 USPQ 811

[See also 598 F.2d 310 (D.C. Cir.—*Vacated and remanded without opinion*, May 17, 1979)]

Marketer of Catholic books brought antitrust action against various officials of the Catholic Church in the United States and others, in which foreign Episcopal Conferences intervened and counterclaimed alleging copyright infringement and unfair trade practices. On remand, 598 F.2d 310, the United States District Court for the District of Columbia, June L. Green, J., dismissed counterclaim and ruled for defendants on antitrust issues, and plaintiffs appealed. The Court of Appeals, Wald, Circuit Judge held that: (1) if breach of copyright licensing agreement amounted to a failure to satisfy a condition so as to give rise to a copyright infringement claim the publisher of the alleged infringing work, which was distributed by plaintiff, was not a necessary party; (2) there was no blanket religious exemption from antitrust laws; (3) in an antitrust case against a religious organization, the Court must carefully assess the nature and extent of the antitrust violations, including their market impact, against the religious goals sought to be implemented before deciding that the activities are exempt; and (4) constitutional questions were to be deferred until the copyright and, if necessary, antitrust questions were resolved.

Reversed and remanded for further proceedings.

1. Federal Civil Procedure

In action for breach of copyright licensing agreement the Irish publisher would be an indispensable party but the indispensable party rule would not be a barrier to a copyright infringement claim and would not warrant dismissal of action against the distributor since if publisher materially breached the licensing agreement or if a breach constituted a failure to satisfy a condition to the license, both an infringement of copyright as well as a breach of contract may have resulted. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a); Fed.Rules Civ.Proc. Rule 19(a) 28 U.S.C.A.

2. Monopolies

If plaintiff book distributor, which brought antitrust action based on defendants' efforts to discourage Catholic book retailers from distributing a work sold by plaintiff, were found to have infringed copyright held by intervenor defendants and if appropriate remedy would deprive plaintiff of the accused books, the antitrust issues would not require a decision. Sherman Anti-Trust Act, §§ 1, 2, 15 U.S.C.A. §§ 1, 2; 17 U.S.C.A. § 503; Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

3. Monopolies

To recover under Sherman Act, the antitrust injury must be directly caused by the alleged anticompetitive behavior. Sherman Anti-Trust Act, §§ 1, 2, 15, U.S.C.A. §§ 1, 2.

4. Copyrights and Intellectual Property

Breach of copyright licensing agreement could constitute copyright infringement as well as breach of contract if the breach were material or resulted in a failure to satisfy a condition of the license. Lanham Trade-Mark Act, § 43 (a), 15 U.S.C.A. § 1125(a).

5. Copyrights and Intellectual Property

Suit for copyright infringement is analogous to other tort actions and infringers are jointly and severally liable and plaintiff need sue only such participants as he sees fit. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

6. Copyrights and Intellectual Property

Copyright licensors could counterclaim for copyright infringement against plaintiff distributor without being required to join the licensor publisher, especially as remedy requested, destruction of the accused books, is one that would be carried out only against the distributor. Fed.Rules Civ. Proc. Rule 19(a), 28 U.S.C.A.; Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

7. Copyrights and Intellectual Property

If publisher licensee failed to satisfy a condition of copyright license or materially breached licensing agreement, it had no rights under which distributor of the alleged infringing book could take cover and therefore both publisher and distributor acted without authority and thereby infringed the copyright and distributor's good-faith use of material would not insulate it as intent is not an element of infringement. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

8. Copyrights and Intellectual Property**Trade Regulation**

Intent is not an element of either copyright infringement or unfair trade practices though it is relevant in formulating a remedy as the remedy is equitable in nature. 17 U.S.C.A. §§ 502, 503; Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

9. Federal Civil Procedure

Question whether an entity or individual should be a party is quite different from the questions and problems associated with obtaining evidence from such an entity or individual and the need to obtain evidence from an entity or individual is not a factor bearing on whether a party is "necessary" or "indispensable" to a just adjudication and thus required to be joined or the action dismissed for failure of joinder. Fed. Rules Civ. Proc. Rule 19(a), 28 U.S.C.A.

10. Copyrights and Intellectual Property

For purpose of rule that for a material breach of contract that is not a failure to satisfy a condition of a licensing agreement, a copyright licensor has only cause of action for breach of contract, a "condition" is any fact or event which qualifies a duty to perform. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

See publication Words and Phrases for other judicial constructions and definitions.

11. Copyrights and Intellectual Property

Even if counterclaims asserted breach of contract, action for copyright infringement would lie if the breach was so material that it allowed the grantor power to recapture the rights granted so that any further use of the work was without authority. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

12. Copyrights and Intellectual Property

Even without an express reversion clause, the power of recapture may be exercised if a breach of contract is so material as to create a right of rescission in the grantor.

13. Monopolies

To constitute a violation of antitrust laws, the actions complained of must first be shown to have an anticompetitive effect in the marketplace and, with respect to allegations of conspiracy and attempts to monopolize, specific intent must be shown. Sherman Anti-Trust Act, §§ 1, 2, 15 U.S.C.A. §§ 1, 2.

14. Federal Courts

On remand of antitrust action in which summary judgment was improperly granted to marketer of Catholic books in action against officials of the Catholic Church in the United States and others it was critical that the district court make complete findings of nature of the communications between the Church and defendant retail distributors involving book distributed by plaintiff as such findings were essential to ultimate assessment of whether an antitrust violation occurred and whether religious exemption from the antitrust laws could be justified. Sherman Anti-Trust Act, §§ 1, 2, 15 U.S.C.A. §§ 1, 2; U.S.C.A. Const. Amend. 1.

15. Constitutional Law

While freedom to believe is absolute, civil law has always been recognized to have some right to impose restrictions on the freedom to act in pursuit of religious beliefs and, thus, neither religious, i.e., free exercise, nor social, i.e., antitrust, interests are totally free from a balancing process. Sherman Anti-Trust Act, §§ 1, 2, 15 U.S.C.A. §§ 1, 2; U.S.C.A. Const.Amend. 1.

16. Monopolies

Although motivation, i.e., religion, is an important consideration, good motive cannot immunize from the antitrust laws every action taken in the name of religion. Sherman Anti-Trust Act, §§ 1, 2, 15 U.S.C.A. §§ 1, 2; U.S.C.A. Const.Amend. 1.

17. Monopolies

Antitrust laws should be read to trench as little as possible on First Amendment freedoms; however, there is no absolute exemption from antitrust laws for economic pressure tactics, however predatory, that are religiously motivated. Sherman Anti-Trust Act, §§ 1, 2, 15 U.S.C.A. §§ 1, 2; U.S.C.A. Const.Amend. 1.

18. Monopolies

In antitrust action by marketer of Catholic books against officials of the Catholic Church based on memorandum that retailers not purchase alleged copyright infringing book distributed by plaintiff the district court was to initially determine if the economic pressure brought by the Church was legitimately geared to Church's protection of its liturgy rather than its survival in the marketplace of religious books. Sherman Anti-Trust Act, §§ 1, 2, 15 U.S.C.A. §§ 1, 2; U.S.C.A. Const.Amend. 1.

19. Monopolies

Even assuming that Church's memorandum requesting that various retailers of religious books not purchase alleged copyright infringing book distributed by plaintiff marketer was a genuine expression of right to exercise freely, there are still limits on tactics that may be used to accomplish such ends, which limits must be determined by weighing the costs to the national anti-trust policies against the needs of religious free exercise in such a situation. Sherman Anti-Trust Act, §§ 1, 2, 15 U.S.C.A. §§ 1, 2; U.S.C.A. Const.Amend. 1.

20. Monopolies

Where a religious organization sued under the antitrust laws seeks refuge under the First Amendment, a court must carefully assess the nature and extent of the anti-trust violations, including their market impact, against the religious goal sought to be implemented before deciding whether the activities are exempt. Sherman Anti-Trust Act, §§ 1, 2, 15 U.S.C.A. §§ 1, 2; U.S.C.A. Const.Amend. 1.

21. Monopolies

In antitrust action brought against religious organization it was for the district court to initially strike the delicate balance between First Amendment need to protect free exercise of religion and general community's interest in conducting commerce free of anticompetitive arrangements. Sherman Anti-Trust Act, §§ 1, 2, 15 U.S.C.A. §§ 1, 2; U.S.C.A. Const.Amend. 1.

22. Constitutional Law

If antitrust violations were found in religious organization's request that retailers not purchase certain book marketed by plaintiff, the court was to be aware of running afoul of the ban against state entanglement in religious affairs and was to reach religious exemption issue only if the copyright and antitrust questions were resolved against the religious organization.

Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a); Sherman Anti-Trust Act, §§ 1, 2, 15 U.S.C.A. §§ 1, 2; U.S.C.A. Const. Amend. 1.

23. Monopolies

If antitrust violation was found in religious organization's request that retailers of religious books not purchase subject book from plaintiff marketer the district court was to be sensitive to nature of religious organizations involved in prescribing any antitrust remedies as well as in weighing competing First Amendment and antitrust interests. Sherman Anti-Trust Act, §§ 1, 2, 15 U.S.C.A. §§ 1, 2; U.S.C.A. Const. Amend. 1.

24. Monopolies

As to alleged antitrust violations that went beyond scope of copyright infringement counterclaims a finding of infringement would not necessarily cut off access of antitrust remedies since such violations, if proven, might inflict injuries on book distributor over and above those involved in loss of the infringing books. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a); Sherman Anti-Trust Act, §§ 1, 2, 15 U.S.C.A. §§ 1, 2.

Appeals from the United States District Court for the District of Columbia (D.C. Civil Action No. 76-01930).

Charles R. Work and Nathalie P. Gilfoyle, Washington, D.C. with whom Timothy J. Waters, Lawrence White and Jeffrey N. Martin, Washington, D.C., were on the brief for Costello Park Co., Inc., et al., appellants in No. 80-2147 and appellees in No. 80-2196.

Terence P. Boyle, Washington, D.C., with whom Wilfred R. Caron, Washington, D.C., was on the brief for John E. Rotelle, O. S. A., et al., appellees in No. 80-2147 and No. 80-2196.

G. Franklin Rothwell, Washington, D.C., with whom Cynthia E. O. Clarke, Washington, D. C., was on the brief for The Episcopal Conference of Australia, et al., appellees in No. 80-2147 and cross-appellants in No. 80-2196.

Before McGOWAN, Senior Circuit Judge, and WILKEY and WALD, Circuit Judges.

Opinion for the Court filed by Circuit Judge WALD.

WALD, *Circuit Judge*. This case involves a dispute between lay and clerical members of the Roman Catholic Church, who also share a commercial relationship. It began as an antitrust action initiated by the Costello Publishing Co. ("Costello")¹ against officials of the Roman Catholic Church in the United States, the Bishops' Committee on the Liturgy ("BCL"), the National Conference of Catholic Bishops ("NCCB"), the United States Catholic Conference, Inc. ("USCC"), Catholic Book Publishers, Inc. ("CBP"), as well as unnamed alleged co-conspirators,

¹The President of Costello Publishing Co. is Harry J. Costello. In addition to his marketing activities involving Catholic books, Mr. Costello is a consultant to major religious book publishing houses in this country and abroad, including Collins Publishing, a past chairman of the Publishers Committee of the National Association of Catholic Publishers and Dealers in Church Goods, and the American agent of Dominican Publications. See Joint Appendix (J.A.) at 219.

publishers and retail distributors, asserting violations of the Sherman Act, 15 U.S.C. §§ 1–2, and requesting treble damages and injunctive relief. Costello's complaint was based upon defendants' efforts to discourage Catholic book retailers from distributing a work entitled *Morning and Evening Prayer* ("accused book"). The defendants responded by claiming a first amendment exemption from the antitrust laws. The Episcopal Conferences of Australia, England and Wales, and Ireland ("Episcopal Conferences") sought and were granted permission to intervene and then counterclaimed copyright infringement and unfair trade practices against Costello.² Costello then amended its complaint to include intervenors among defendants, and moved to dismiss intervenors' counterclaims for failure to join an indispensable party. The district court granted plaintiffs' motion to dismiss the counterclaims and ruled in favor of defendants on the antitrust issue. Because the counterclaims should not have been dismissed, we *remand* so that the parties will have an opportunity to address the issues presented by the counterclaims. If intervenors show

²See 15 U.S.C. § 1125(a) and 17 U.S.C. §§ 502–503. 15 U.S.C. § 1125(a) provides:

(a) Any person who shall affix, apply, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce, and any person who shall with knowledge of the falsity of such designation of origin or description or representation cause or procure the same to be transported or used in commerce or deliver the same to any carrier to be transported or used, shall be liable to a civil action by any person doing business in the locality falsely indicated at that of origin or in the region in which said locality is situated, or by any person who believes that he is or is likely to be damaged by the use of any such false description or representation.

17 U.S.C. § 502 provides:

(a) Any court having jurisdiction of a civil action arising under this title may, subject to the provisions of section 1498 of title 28, grant temporary and final injunctions on such terms as it may deem reasonable to prevent or restrain infringement of a copyright.

(b) Any such injunction may be served anywhere in the United States on the person enjoined; it shall be operative throughout the United States and shall be enforceable, by proceedings in contempt or otherwise, by any United States court having jurisdiction of that person. The clerk of the court granting the injunction shall, when requested by any other court in which enforcement of the injunction is sought, transmit promptly to the other court a certified copy of all the papers in the case on file in such clerk's office.

17 U.S.C. § 503 provides:

(a) At any time while an action under this title is pending, the court may order the impounding, on such terms as it may deem reasonable, of all copies or phonorecords claimed to have been made or used in violation of the copyright owner's exclusive rights, and of all plates, molds, matrices, masters, tapes, film negatives, or other articles by means of which such copies or phonorecords may be reproduced.

(b) As part of a final judgment or decree, the court may order the destruction or other reasonable disposition of all copies or phonorecords found to have been made or used in violation of the copyright owner's exclusive rights, and of all plates, molds, matrices, masters, tapes, film negatives, or other articles by means of which such copies or phonorecords may be reproduced.

copyright infringement and unfair trade practices,³ then the counterclaims may not be dismissed for failure to join an indispensable party, and there may be no occasion to address the antitrust issues. However, to conserve judicial resources, we offer the district court some guidance on the antitrust issues, should they eventually need to be resolved.

I. BACKGROUND

At the Second Ecumenical Council of the Vatican in 1962 ("Vatican II"), the Roman Catholic Church decided to permit use of vernacular language rather than Latin in the Church's liturgy. To implement the decision of Vatican II, NCCB (the Episcopal Conference of the United States), and ten other episcopal conferences in English-speaking countries joined together to form the International Commission on English in the Liturgy ("ICEL") to provide common English translations of Latin liturgical texts and to exercise common copyright control over those translations. The ICEL has no authority of its own, but acts only as agent of the member conferences. J.A. 1310, 1311. Its translations can be distributed only in those countries where the translations have been approved by that country's episcopal conference.

As copyright holder, ICEL receives royalties from the sale of liturgical books containing ICEL translations. Surplus profits from royalties paid to ICEL by its licensees are distributed to its members according to a formula based upon the amount of capital contribution by each member. The NCCB receives over three-quarters of ICEL's surplus. J.A. 1604-05.

Dissatisfied with the pace of the ICEL's work, the Episcopal Conferences joined together with publishers and translators in 1971 to form a new consortium for the purpose of commissioning and publishing a translation of *Liturgia Horarum*. The consortium, known as the English Language Breviary Committee ("ELBC"), consisted of representatives of the three participating Episcopal Conferences and representatives of publishing companies from their respective countries—E.J. Dwyer of Australia, Collins Publishing of Great Britain, and Talbot Press of Ireland. The ELBC produced a three volume translation in 1974 entitled *The Divine Office*. The work was copyrighted by the Episcopal Conferences and their publishers were given exclusive licenses to publish. Late in 1975, the first volume of the ICEL's multi-volume translation of *Liturgia Horarum*, entitled *Liturgy of the Hours*, was published. In March, 1976, Talbot Press published a one volume edition of *The Divine*

³The Second Circuit has recently noted that there may be a violation of the Lanham Act, 15 U.S.C. § 1125(a), with respect to common-law copyright. *Gilliam v. American Broadcasting Companies*, 538 F.2d 14, 24-25 (2d Cir. 1976) (hereinafter *Gilliam*). Therefore, hereinafter both counterclaims asserted here will be referred to as "copyright infringement" or simply as "counterclaims."

Office, entitled *Morning and Evening Prayer*—the accused book. Talbot Press published 10,000 copies of the accused book and sold them all to Dominican Publications.

The idea of the accused book was conceived by Alexander Tarbett, then managing director of Talbot Press, and Austin Flannery, O.P., a Dominican Priest and manager of Dominican Publications. Patrick McGoldrick, a Roman Catholic Priest and an advisor to the Irish Bishops Conference, represented the interests of the Episcopal Conferences. He advised the Episcopal Conferences that he had read the proofs of the accused book and that “the edition fulfilled all the requirements.” J.A. 62; *see also* J.A. 55, 56. McGoldrick found that the accused book “contained no newly set material but only material which has been re-arranged from ‘The Divine Office’ and ‘Daily Prayer.’ ” *Id.* at 62. In fact, the accused book contained passages from the *Revised Standard Version*, substituted for passages from the *Jerusalem Bible*, because of difficulties in acquiring permission to use passages from the *Jerusalem Bible* from Doubleday, the *Jerusalem Bible* copyright holder in America.

Dominican Publications sold 7,500 copies of the accused book to Costello. In May, 1976, Costello advertised and began selling the accused book in the United States as an “officially approved” edition of *Liturgia Horarum*. J.A. 81. The accused book then came to the attention of the BCL, which administers the duties of the NCCB regarding publication, distribution and use of liturgical texts. The BCL also monitors liturgical works available for use by Roman Catholics in the United States. Father Thomas Krosnicki, then assistant director of the BCL, contacted Mr. Harry J. Costello, informed him that the work was not one which had been approved by the NCCB, and requested that a copy of it be sent to BCL, for review. Mr. Costello refused the request and shortly thereafter the BCL made good on its warning that without an opportunity to review the book, the BCL would notify Catholic book dealers that the book was not an approved version of the *Liturgy of the Hours*. On May 26, 1976, the BCL, through its director, Father John E. Rotelle, O.S.A., distributed “Memorandum 5” to a large number of retailers throughout the country. That memorandum requested that book retailers not distribute the accused book. J.A. 487. Existing orders were cancelled and new orders virtually ceased. Costello responded by bringing an antitrust action against individual members of the BCL, the BCL, the NCCB, the USCC, CBP, individual officials of the Catholic Church, and unnamed alleged co-conspirator publishers and retailers.

The defendants enlisted the aid of the Episcopal Conferences, J.A. 408–10, who intervened and counterclaimed copyright infringement. Costello then amended its complaint to include intervenors among defendants and moved to dismiss the counterclaims for failure to join an indispensable party—Talbot Press. Costello argued that the counterclaims

were essentially contract claims and that all parties to the contract must be joined. The district court agreed and dismissed the counterclaims. On appeal this court held:

In view of the fact that the District Court's holding deprives appellants of any opportunity to pursue their infringement and false advertising claims against appellee, we believe that the District Court's ruling was premature. Under Rule 28(b) the parties may seek discovery of documents and testimony in the possession of Talbot Press in Ireland through letters rogatory . . . We believe the equitable concerns of Rule 19 will be better served if the District Court reserves its ruling on appellee's motion to dismiss until after a good faith attempt is made to acquire Talbot Press' evidence.⁴

On remand, Costello applied for issuance of letters rogatory, which were granted by the district court in July, 1979. Although only a limited response was forthcoming, the district court found that a "good faith" but unsuccessful, attempt to acquire Talbot Press' evidence had been made and granted plaintiff's motion to dismiss the counterclaims. However, with respect to the antitrust claim, the district court held that the actions of the defendants were motivated exclusively by religious concerns and had no commercially competitive design. "Such religiously motivated conduct," said the court, "is not the type which falls within the realm of the antitrust laws, and summary judgment must be granted in favor of the defendants."⁵ Costello appealed and defendant-intervenors cross-appealed. The appeals have been consolidated.

II. ISSUES PRESENTED

[1] The first question presented by this appeal is whether the district court properly dismissed the counterclaims because of the joinder requirements of Rule 19(a) of the Federal Rules of Civil Procedure?⁶ When this issue

⁴*Costello Publishing Co., Inc. v. John E. Rotelle O. S. A. et. al.*, No. 79-1019 (D.C. Cir. May 17, 1979), mem. op. at 1, J.A. 758.

⁵*Costello Publishing Co., Inc. v. John E. Rotelle, O. S. A. et. al.*, No. 76-1930 (D.D.C. August 22, 1980). mem. op. at 3-4, J.A. 945-46.

⁶Rule 19(a) of the Federal Rules of Civil Procedure provides:

A person who is subject to service of process and whose joinder will not deprive the court of jurisdiction over the subject matter of action shall be joined as a party in the action if (1) in his absence complete relief cannot be accorded among those already parties, or (2) he claims an interest relating to the subject of the action and is so situated that the disposition of the action in his absence may (i) as a practical matter impair or impede his ability to protect that interest or (ii) leave any of the persons already parties subject to a substantial risk of incurring double, multiple, or otherwise inconsistent obligations by reason of his claimed interest. If he has not been so joined, the court shall order that he be made a party. If he should join as a plaintiff but refuses to do so, he may be made a defendant, or, in a proper case, an involuntary plaintiff. If the joined party objects to venue and his joinder would render the venue of the action improper, he shall be dismissed from the action.

came before us earlier, we ruled that the district court had prematurely dismissed the counterclaims. *See* pp. 1040–1041 *supra*. We believe that is still the case, for if Talbot Press materially breached its licensing agreement with the Episcopal Conferences or if any breach constituted a failure to satisfy a condition to the copyright license, an infringement of copyright as well as a breach of contract may have resulted. *See* pp. 1045–1046 *infra*. Because the district court erroneously treated a breach of the licensing agreement as giving rise to a contract claim only, *see* pp. 1042–1043 n.9 *infra*, it did not adequately address the merits of the copyright counterclaims. Instead it ruled against defendant-intervenors solely on the basis that in a contract action Talbot Press was an indispensable party under Rule 19(a) and could not be joined. That indispensable party barrier would not, however, stand in the way of a copyright infringement counterclaim. *See* pp. 1042–1045 *infra*. Accordingly, we remand to allow the district court to consider whether there was a material breach of the licensing agreement or whether any breach amounted to a failure to satisfy a condition to the license so as to give rise to a copyright infringement claim.

[2, 3] One remedy for copyright infringement is the destruction of the material produced in violation of the copyright owners' exclusive rights. *See* 17 U.S.C. § 503(b). Thus *if* Costello, as a member of the chain of distribution, is found to have infringed the copyright held by the Episcopal Conferences *and if* the appropriate remedy would deprive Costello of the accused books, then the antitrust issues need not be decided at all.⁷ But since this is the second time this case has been before this

⁷*See Brunswick Corp. v. Pueblo Bowl-O-Mat*, 429 U.S. 477, 97 S.Ct. 690, 50 L.Ed.2d 701 (1977). There the Supreme Court held that "for plaintiffs to recover on account of § 7 violations, they must prove more than injury casually linked to an illegal presence in the market. Plaintiffs must prove *antitrust* injury, which is to say injury of the type the antitrust laws were intended to prevent and that flows from that which makes defendants' act unlawful." *Id.* at 489, 97 S.Ct. at 697. The plaintiffs in *Brunswick* operated bowling centers that competed with those acquired by defendant. The plaintiffs charged that absent the acquisitions, the acquired centers would have gone out of business and the result would have been less competition and greater profits for the plaintiffs. The lower court found the acquisition unlawful under § 7. Without disturbing that finding, the Supreme Court unanimously held that the plaintiffs' "injury" resulted from lawful competition. The plaintiff would have suffered the identical "loss" had the acquired centers, instead of being acquired by a deep-pocket parent, obtained refinancing or been purchased by a shallow-pocket parent. Thus, according to *Brunswick*, the antitrust injury must be directly caused by the alleged anticompetitive behavior. In the present case, if there has been an infringement of copyright and the appropriate remedy would deprive Costello of the accused books, judicial relief for Costello with respect to his antitrust claim will not remedy his injury. *See also Warth v. Seldin*, 422 U.S. 490, 95 S.Ct. 2197, 45 L.Ed.2d 343 (1975). A finding of copyright infringement, remedied by destruction of the accused books, would thus deprive plaintiff of any right to antitrust remedies. We should emphasize that if a copyright infringement is found, we are *not* indicating here that the appropriate remedy would be destruction of the books. We leave the question of remedy to the district court, as we must, for we are not even able to say whether there has been a copyright infringement let alone to tailor a remedy to fit the form of any infringement.

court, the original complaint having been filed five years ago, simply to remand the issues presented by the counterclaims, without offering the district court our guidance on the antitrust issues, might not promote the speedy and final resolution of this case. The district court granted summary judgment on the antitrust issues because it found that the actions of defendant-intervenors were "religiously motivated conduct," which it held was "not the type [of conduct that] falls within the realm of the antitrust laws . . ." ⁸ We disagree with the district court's resolution of the antitrust issues and hold that there is no such blanket religious exemption from the antitrust laws. The district court should therefore have decided initially whether the actions of defendant-intervenors were in violation of the antitrust laws.

III. ANALYSIS

A. *The Joinder Requirement in Copyright Actions*

[4, 5] The district court's dismissal of defendant-intervenors' counterclaims appear to have been dictated by the court's determination that the counterclaims hinged upon an interpretation of a licensing agreement between the Episcopal Conferences and Talbot Press as to the terms under which the accused books could be published and distributed.⁹ But the district court apparently failed to recognize that breach of the licensing agreement might also constitute copyright infringement if the breach were material or if it resulted in a failure to satisfy a condition to the license.¹⁰ Therefore, the district court should not have dismissed the counterclaims

⁸*Costello Publishing Co., Inc. v. John E. Rotelle, O. S. A. et al.*, No 76-1930 (D.D.C. August 22, 1980), mem. op. at 4, J.A. 946.

⁹The district court held:

The Court concludes that the license agreement of January 23, 1976 is applicable to *Morning and Evening Prayer*. . . . Any alleged defects in plaintiff's book which gave rise to Intervenor's counterclaims are not sufficient to place the book beyond the contemplation of the January 23, 1976 license. Intervenor's argument that there exists no license governing plaintiff's book based upon the assertion that the book is functionally useless as a religious tool are unpersuasive, and are undermined by intervenor's allegations that Talbot breached numerous terms of the agreement. The term "derivative" was not defined in the license, and it is not disputed that plaintiff's book is a derivative within the ordinary meaning of the term. . . . The possibility that Talbot may have breached a material implied term of the license in that certain agreed upon specifications of the contemplated derivative were not complied with does not persuade this court that no license existed.

The counterclaim is thus reduced to actions based upon the construction of the January 23, 1976 licensing agreement, and it is well established that rules governing the construction and interpretation of contracts apply in the context of copyright licenses. . . . Courts have uniformly held that in actions construing the terms of a contract all parties thereto must be joined under Rule 19(a). . . .

Costello Publishing Co., Inc. v. John E. Rotelle, O. S. A., et al., No. 76-1930 (D.D.C. November 20, 1978), mem. op. at 2-3, J.A. 667-72.

¹⁰See pp. 1045-1046 *infra*.

for failure to join an indispensable party before deciding if valid copyright infringement claims were, in fact, asserted, for it is well established that a suit for infringement is analogous to other tort actions and infringers are jointly and severally liable; hence plaintiff need sue only such participants as it sees fit.¹¹ This rule was recently endorsed by this court in *Stabilisierungs-fonds Fur Wein, et al. v. Kaiser Stuhl Wine Distributors Pty. Ltd., et. al.*, 647 F.2d 200 (D.C.Cir.1981) [hereinafter *German Wine*] There Judge Ginsburg observed:

Courts have long held in patent, trademark, literary property, and copyright infringement cases, any member of the distribution chain can be sued as an alleged joint tortfeasor. See, e.g., *Wells v. Universal Pictures Co.*, 166 F.2d 690, 692 (2d Cir. 1948); *Grocers Baking Co. v. Sigler*, 132 F.2d 498, 502 (6th Cir. 1942). Since joint tortfeasors are jointly and severally liable, the victim of trademark infringement may sue as many or as few of the alleged wrongdoers as he chooses; those left out of the lawsuit, commentary underscores, are not indispensable parties.¹²

[6] This court's decision in *German Wine* overturned a decision of the district court that dismissed a trademark infringement claim against an Australian wine producer and its American distributors. The district court had decided that it lacked personal jurisdiction over the Australian defendants and for that reason held that the action could not proceed against the American defendants. In reversing, we held that the District of Columbia long-arm statute authorized adjudication of the claims against the Australian wine companies. Although not necessary to the decision, this court felt compelled to note that even if jurisdiction were lacking over the Australian defendants the claims against the American defendants should not have been dismissed because any member of the distribution chain could be sued as an alleged joint tortfeasor. Under the same reasoning, in the instant case, the Episcopal Conferences can counterclaim copyright infringement against Costello without being required to join Talbot Press. The remedy requested—destruction of the accused books—is one that would be carried out only against Costello. J.A. 46.

[7,8] Costello seeks to distinguish *German Wine* by arguing that there "[t]he parties defending the action did not claim that the foreign companies had obtained a right to use the trademark from the parties claiming infringement. In contrast to the situation in [*German Wine*], the defend-

¹¹3A Moore's Federal Practice ¶ 19.14[2-4] (2d Ed. 1974); 7 Wright & Miller, Federal Practice and Procedure, § 1614, pp. 155-56 (1972 ed.); 3 Nimmer on Copyright § 12.03 [12-32 n. 18] (1980 ed.) [hereinafter Nimmer]. Lewis, *Mandatory Joinder of Parties in Civil Proceedings: The Case for Analytical Pragmatism*, 26 U.Fla.L.Rev. 381, 401, n.80 (1974) argues that "it would be inappropriate to change the traditional rule that views joinder of joint tortfeasors as permissible but not mandatory. If a plaintiff has no desire to litigate against a particular joint tortfeasor, then it would be champertous of the law to require joinder . . . A defendant who might desire contribution against a co-joint tortfeasor can invoke the impleader procedure . . ."

¹²*German Wine*, *supra* at 207.

ant distributor in this case, appellant Costello, has asserted that the copying activities that form the basis of the claim of copyright infringement were undertaken in compliance with the terms of a copyright license issued by the copyright holder to a foreign publisher." Appellant's Supplemental Brief at 5. Nevertheless, if Talbot Press failed to satisfy a condition to its license or materially breached the licensing agreement, it had no rights under which Costello can take cover and therefore both Talbot Press and Costello acted without authority and thereby infringed defendant-intervenors' copyright. *See* pp. 1045-1046 *infra*. Costello's good faith use of the material would not insulate Costello, for intent is not an element of infringement,¹³ and the copyright holder may proceed against any member of the chain of distribution. *See* p. 1043 *supra*.

Costello maintains that *Gilliam v. American Broadcasting Companies, Inc.*, 538 F.2d 14 (2d Cir. 1976), is inapposite for similar reasons. That case was brought by a group of British writers and performers known as "Monty Python," who wrote and performed television programs broadcasted by the British Broadcasting Company ("BBC"), against the American Broadcasting Company ("ABC"). The BBC had a license for the programs, but the Monty Python group retained all rights in the script. The BBC could sublicense transmission of recordings of the program and did so to Time-Life, who broadcasted them through ABC. When the Monty Python group learned that ABC had edited portions of programs, it requested ABC not to edit further broadcasts. ABC refused to honor the request and the Monty Python group sought a preliminary injunction for infringement of copyright and unfair trade practices against ABC only. The district court denied relief, *inter alia*, because the Monty Python group failed to join the BBC and Time-Life as indispensable parties. The Second Circuit reversed, holding that those at the end of the chain of distribution can acquire no greater right than the licensee. *Id.* at 21. Costello seeks to distinguish *Gilliam* because there "it was the act of ABC . . . in editing the work that formed the basis of Monty Python's copyright infringement claim In the case at hand, Costello Publishing Company has done nothing to edit or change *Morning and Evening Prayer*." However, if Talbot Press failed to satisfy a condition to the license, then the copyright holder can proceed against Costello for infringement of copyright even though Costello did not intend to participate in Talbot Press' alleged wrongdoing. *See* pp. 1042-1044 *supra*.

¹³Intent is not an element of either copyright infringement, *Johns Printing Co. v. Paull-Pioneer Music Corp.*, 102 F.2d 282 (8th Cir. 1939); *Lottie Joplin Thomas Trust v. Crown Publishers, Inc.*, 456 F.Supp. 531 (S.D.N.Y. 1977), *aff'd*, 592 F.2d 651 (2d Cir. 1978), or unfair trade practices, *Parkway Baking Co. v. Freihofer Baking Co.*, 255 F.2d 641 (3d Cir. 1958), though it would be relevant in formulating a remedy, since the remedy is equitable in nature. *Tempo Music, Inc. v. Myers*, 407 F.2d 503 (4th Cir. 1969).

[9] Costello also argues that the allegations concerning breach of the terms of the copyright license cannot be resolved without the participation of Talbot Press because that contract was formed by the Episcopal Conferences and Talbot Press. Costello argues further that it would be inequitable to force Costello to defend what is essentially a contract action when it was not a party to the contract. Stripped of the assumption that the counterclaims are merely contract actions, Costello is left only with the argument that Talbot Press is indispensable because Costello needs evidence from Talbot Press for a defense. But the question whether or not an entity or individual should be a *party* to an action is something quite different from the questions and problems associated with obtaining evidence from such an entity or individual. Rule 19 of the Federal Rules of Civil Procedure¹⁴ does not list the need to obtain evidence from an entity or individual as a factor bearing upon whether or not a party is necessary or indispensable to a just adjudication. Thus, we conclude that the district court erred in dismissing the counterclaim for failure to join Talbot Press as an indispensable party before deciding whether a copyright infringement had taken place.

B. Counterclaims on Remand

[10–12] On remand the district court must determine whether Talbot Press materially breached the licensing agreement or failed to satisfy a condition to the license. If Talbot Press' conduct merely constituted an immaterial breach of contract and, in addition, that breach was not a failure to satisfy a condition to the license,¹⁵ then the Episcopal Conferences would only have a cause of action for breach of contract and Talbot Press would be an indispensable party. 3 Nimmer § 10.15 [10–108]. However if Talbot Press failed to satisfy a condition to the license, any use by the licensee or its assignee would constitute an infringement of copyright¹⁶ and defendant-intervenors could elect to pursue a remedy for infringement rather than breach of contract. 3 Nimmer § 10.15 [10–109 n.11]. In addition, even if the counterclaims asserted merely constitute a breach of contract, an action for copyright infringement would lie if the breach is so material that it allows the grantor power to recapture the rights granted so that any further use of the work was without authority. *Id.* at 10–110. It is established that even without an express reversion clause, the power to recapture may be exercised if a breach of contract is so material as to create a right of rescission in the grantor. *Nolan v. Sam Fox Publishing Co.*, 499 F.2d 1394 (2d Cir. 1974); *Nolan v. Williamson Music, Inc.*, 300

¹⁴ See p. 1041 n.6 *supra*.

¹⁵ By condition, we mean simply any fact or event which qualifies a duty to perform. See generally Corbin, *Conditions in the Law of Contract*, 28 Yale L.J. 739 (1919).

¹⁶ See esp. *Gilliam, supra*, 538 F.2d at 21; see also *National Bank of Commerce v. Shaklee Corp.*, 207 U.S.P.Q. 1005, 503 F. Supp. 533 (W.D.Tex.1980)

F.Supp. 1311 (S.D.N.Y.1969), *aff'd sub nom. Nolan v. Sam Fox Publishing Co.*, 499 F.2d 1394 (2d Cir. 1974).

The license granted by the Episcopal Conferences to Talbot Press provided:

The intention of the license herein granted to you is that you should thereby be authorized to produce and print an edition of a Breviary (hereinafter called the Derivative) particularly suited to the needs of the Dominican Order and to sell such copies to the Dominican Order in Ireland for them to supply to members of their own Order including tertiaries. You should not produce or print copies of the Derivative for any party other than the Dominican Order in Ireland and you should obtain an undertaking in writing from the Dominican Order that they will not supply copies to members of other religious orders or place copies on general sale at retail or wholesale outlets.

J.A. 177. It does not appear from the record that Talbot Press did in fact secure a written agreement from the Dominican Order stating that the Dominicans would not supply copies of the book to any other religious order or place copies on general sale. Indeed, there is evidence that copies of the book have been placed on general sale. In addition, it is unclear whether or not the substitution was authorized. Patrick McGoldrick, advisor to the Episcopal Conferences, read the galleys of the book in late August and reported that the edition fulfilled all requirements. J.A. 62. He noted that the book contained "no newly set material." *Id.* The composition was duplicated and substitutions were readily apparent according to Austin Flannery, manager of Dominican Publications. J.A. 185; *see also* J.A. at 165, 181. After consultation with McGoldrick, Archbishop Dermot Ryan of the Archdiocese of Dublin granted an imprimatur to *Morning and Evening Prayer*. Whether McGoldrick and Ryan were deceived, or were simply mistaken, is not clear. In any event, the factual issue as to whether the substitutions were authorized must be decided by the district court. Likewise, whether or not the agreement has been materially breached or whether the breach constitutes a failure to satisfy a condition and, if so, how the breach ought to be remedied are matters which we must leave to the district court. If it finds a material breach of contract or a failure to satisfy a condition to the license, and formulates a remedy that would deprive Costello of that which it seeks to protect by way of an antitrust action, the district court would not have to face the antitrust claims again. Otherwise, it must.

C. *The Antitrust Claims*

The district court found that the actions of the defendant-intervenors were not motivated by commercially competitive concerns and held that their religiously motivated conduct fell beyond the realm of the antitrust laws. If the district court on remand finds that Costello did not infringe defendant-intervenors' copyright, it should not reinstate its decision on the antitrust issues because we cannot agree with the district court that the ac-

tions of defendant-intervenors are altogether exempt from antitrust scrutiny simply because their motives were religious.¹⁷ To help advance resolution of this case, we offer the following guidelines to the district court.

1. Statutory Considerations

[13] To find a violation of the antitrust laws, the actions complained of here must first be shown to have an anticompetitive effect in the marketplace. See pp. 1046-1048 *infra*. Also, with respect to allegations of conspiracy and attempts to monopolize, specific intent must be shown. *Hunt-Wesson Foods, Inc. v. Ragu Foods, Inc.*, 627 F.2d 919 (9th Cir. 1980); *Carpet Seaming Tape Licensing Corp. v. Best Seam, Inc.*, 616 F.2d 1133 (9th Cir. 1980); *International Railways of Central America v. United Brands*, 532 F.2d 231 (2d Cir.), *cert. denied*, 429 U.S. 835, 97 S.Ct. 101, 50 L.Ed.2d 100 (1976). In addition to conspiracy and attempt, Costello has alleged concerted refusals to deal, boycott, restraints on competition, and allocation of markets in violation of sections 1 and 2 of the Sherman Act, 15 U.S.C. §§ 1-2, and the Wilson Tariff Act, 15 U.S.C. § 8. It is now clear, however, that "easy labels do not always supply ready answers." *Broadcast Music, Inc. v. Columbia Broadcasting System, Inc. et al.*, 441 U.S. 1, 8, 99 S.Ct. 1551, 1556, 60 L.Ed.2d 1 (1979). At any rate, the actions involved here do not fit neatly into any of the categories heretofore easily identified as antitrust violations. Although some actions, which resemble in certain respects those alleged here, have in the past been labeled *per se* violations of the antitrust laws, see, e.g., *United States v. Arnold, Schwinn & Co.*, 388 U.S. 365, 87 S.Ct. 1856, 18 L.Ed.2d 1249 (1967) (hereinafter *Schwinn*) (allocation of exclusive marketing territories held *per se* illegal under antitrust laws); *Klor's, Inc. v. Broadway-Hale Stores, Inc.*, 359 U.S. 207, 79 S.Ct. 705, 3 L.Ed.2d 741 (1959) (group boycott labeled *per se* illegal), more recent cases suggest that the economic "realities" of the market and consumer welfare guide antitrust inquiry.¹⁸

¹⁷The district court observed:

[Defendants'] actions had no commercially competitive motive, but were undertaken as an exercise of the duty each of the intervenor-defendants has to protect the integrity of Roman Catholic liturgy worldwide. Such religiously motivated conduct is not the type which falls within the realm of the antitrust laws . . .

Costello Publishing Co., Inc. v. John E. Rotelle, O. S. A., et al., No. 76-1930 (D.D.C. August 22, 1980), mem. op. at 4, J.A. 946.

¹⁸See, e.g., *Continental T.V., Inc. v. GTE Sylvania, Inc.*, 433 U.S. 36, 97 S.Ct. 2549, 53 L.Ed.2d 568 (1977) (hereinafter *GTE Sylvania*) (vertical market division not properly subject to *per se* rule; *Schwinn*, *supra*, overruled); *United States v. Realty Multi-List, Inc.*, 629 F.2d 1351 (5th Cir. 1980); *Smith v. Pro Football, Inc.*, 593 F.2d 1173, 1177-91 (D.C.Cir. 1978) (rule of reason approach to group boycotts). Compare *Fortner Enterprises, Inc. v. United States Steel Corp.*, 394 U.S. 495, 89 S.Ct. 1252, 22 L.Ed.2d 495 (1969) (tying arrangement illegal *per se*), with *United States Steel Corp. v. Fortner Enterprises, Inc.*, 429 U.S. 610, 97 S.Ct. 861, 51 L.Ed.2d 80 (1977) (although following the law of the case established in *Fortner I*, the Supreme Court suggested a new direction in such cases).

The BCL does not operate on the same market level as the retail distributors; and the distributors do not operate on the same market level as Costello. The Church and the retailers, and the retailers and Costello share vertical relations. The retailers do not appear to have anything to gain by boycotting the accused book and it might be suggested that they are in the best position to mediate the market impact of the BCL's memorandum. The relationship between the BCL and the retailers, as far as it appears, may be less restrictive than exclusive franchise systems, which have been sanctioned by the Supreme Court.¹⁹ However, Costello and defendant-intervenors are horizontally as well as vertically related and, for example, a case of predation may be successfully established. See Bork at 144-60. The American Church has a financial interest in the sale of ICEL translations, J.A. 1591, 1604-05, which may be undercut by sales of Costello's books. However, it is at least problematical whether a financial interest sufficient to suggest predation has yet been shown. Further, Memorandum 5,²⁰ sent by the BCL to various retailers, requesting that they not purchase the accused book for resale, did not explicitly threaten reprisals for rejecting the request, nor did it advocate a complete boycott of Costello's other merchandise.²¹ It remains for the district court to find precisely what the practical effect of the memorandum on the retailers was.

In presenting its antitrust case so far, Costello has noted that the Catholic Church and the BCL have great market power. But it is unclear whether that power has been abused. Abuse has been suggested by pointing to reciprocal agreements between various conferences. J.A. 1573, 1575, 1580. But the conferences are themselves merely departments of a worldwide organization. The official Church "authorization," without

¹⁹*GTE Sylvania, supra*. See also P. Areeda, Antitrust Analysis 678-79 n. 42, 681 n.45 (1981) (cases cited); see generally, R. Bork, *The Antitrust Paradox: A Policy at War With Itself* 280-298 (1978) (hereinafter Bork).

²⁰Memorandum 5 reads in part:

Once again I have the unpleasant task of advising you that a publisher in the United States, Costello Publishing Company, has circulated a flyer with inaccurate and misleading information (see enclosed).

The Costello Publishing Company plans to distribute in the dioceses of the United States a book of Morning, Evening and Night Prayer which has not been approved for use in the dioceses of the United States by the National Conference of Catholic Bishops. They are importing this book from Ireland into this country without the authorization of the local hierarchy of that country and without the local authorization of the episcopal conference of this country.

We have kindly asked the publishing firm in question not to distribute this book, but they insist on going against the decisive vote of the episcopal conference.

Once again I ask your cooperation in this matter. Please do not distribute this book in the dioceses of the United States.

²¹*Cf. Hester v. Martindale-Hubbell, Inc.*, 659 F.2d 433 (4th Cir. 1981) (summary judgment for defendants in restraint of trade case brought by attorney—whose request to advertise in Martindale-Hubbell was denied because he failed to meet a certain rating—against Martindale-Hubbell, the ABA, and the state bar association, affirmed).

which publishers may decide to export their books, may be simply an endorsement, which publishers are free to solicit and which the BCL is free to award. Seen in that light, authorization has a value that is traded in consideration for the publication or distribution of books that meet a certain standard. If the value of Church authorization is outweighed by the cost of the restrictive standards, publishers and distributors are free to pursue their interest without the Church. Similarly, if the "price" the BCL extracts from retailers by requesting that unapproved books not be sold, exceeds the value of authorization, the retailers might refuse the request. Assuming that the Catholic Church had a financial interest in every approved book and asked religious goods retailers not to sell unapproved books, retailers might not be willing to pay the full monopoly price for the approved books *and* accept the restriction as well. The monopoly rent can be extracted only once. *See generally*, Bork at 107-33. If market power is completely represented by the cost of the product, further cost in the form of a restriction could not be imposed.²²

[14] Although, when given the opportunity to develop its antitrust case Costello may be able to demonstrate anti-competitive forces, the case has yet to be made. Since summary judgment was granted on grounds of a religious exemption, we are unable to say that the case cannot be made. On remand it is critical that the district court make complete findings on the nature of the communications between the Church and retail book distributors involved in this case. Such findings are essential to an ultimate assessment not only of whether an antitrust violation has taken place, but also of whether an antitrust exemption can be justified.

2. Constitutional Considerations

Defendant-intervenors have argued that any application of the antitrust laws to their actions with respect to Costello would deprive them of their First Amendment right to exercise freely their religion. They seek support for their argument from the *Noerr* Doctrine.²³ *Noerr* held that an attempt to secure passage of legislation that would injure competition was not subject to the antitrust laws. The Court's holding was based in part upon the "dissimilarity between an agreement jointly to seek legislation or law enforcement and the agreements traditionally condemned by § 1 of the [Sherman] Act." *Id* 365 U.S. at 136, 81 S.Ct. at 529. The Court was also concerned with the constitutional difficulties revolving around the First

²²If this case did not involve a religious publication and an organization affiliated with the Roman Catholic Church, the antitrust issues might seem easier. This case appears more complex because the market power enjoyed by the Church derives in large part from religious rather than economic factors. Nevertheless, setting an exchange rate between religious and economic factors is theoretically no more difficult than putting a price on advertising. *See* Bork at 314-20.

²³*Eastern Railroad Presidents Conference, et al, v. Noerr Motor Freight, Inc.*, 365 U.S. 127, 81 S.Ct. 523, 5 L.Ed.2d 464 (1961) (hereinafter *Noerr*).

Amendment guarantee of the right to petition that would be posed were such activity subjected to the antitrust laws.²⁴ Most recently the *Noerr Doctrine* has been applied in *State of Missouri v. National Organization For Women*²⁵ and *Allied International, v. International Longshoremen's Association, AFL-CIO*²⁶ to shield economic boycotts (which might normally come up against antitrust bans) when used as political tools to secure noncommercial goals. This case contains elements that are both akin to and different from *Noerr*, *NOW* or *ILA*. It involves the problem of whether and to what extent an exemption from the antitrust laws must be recognized for conduct engaged in by a religious organization in furtherance of religious goals, but which has (assuming an antitrust violation) injurious anticompetitive consequences.

Unlike *Noerr*, *NOW* and *ILA*, it is important to note that involved here is a concern of the First Amendment which is double-edged. While the political participatory rights guaranteed by the First Amendment all seek to further political activity ("Congress shall make no law . . . abridging the freedom of speech, or of the press; or of the right of the people to peaceably assemble, and to petition the Government for a redress of grievances."), the religious rights guaranteed seek to protect religious liberties, but prohibit state establishment of religion. ("Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof. . . .") But like *Noerr*, *NOW* and *ILA*, the present case does involve actions of concern to the First Amendment. The extent to which those actions are of such concern, however, is not yet clear.²⁷ Likewise, the countervailing economic considerations depend upon the extent to which the concerns of the antitrust laws are implicated by the activity challenged.²⁸ Thus, there is a spectrum running between the core concerns of the two interests involved—religious freedom and competition. Resolution of those competing interests necessarily requires a delicate balancing.

²⁴See also, *California Motor Transport Co. v. Trucking Unlimited*, 404 U.S. 508, 92 S.Ct. 609, 30 L.Ed.2d 642 (1972) (hereinafter *Trucking Unlimited*; *United Mine Workers v. Penn-ington*, 381 U.S. 657, 85 S.Ct. 1585, 14 L.Ed.2d 626 (1965); *Federal Prescription Service, Inc., et al. v. American Pharmaceutical Assoc.*, 663 F.2d 253, 261-262 (D.C.Cir.1981).

²⁵620 F.2d 1301 (8th Cir.), *cert. denied*, 449 U.S. 842, 101 S.Ct. 122, 66 L.Ed.2d 49 (1980) (hereinafter *NOW*) (boycott to influence passage of the Equal Rights Amendment held not to fall within the scope of the antitrust laws).

²⁶492 F.Supp. 334 (D.Mass.1980) (hereinafter *ILA*) (concerted refusal to load and unload ships engaged in trade with the U.S.S.R. because of the Soviet Union's invasion of Afghanistan found not to violate the antitrust laws).

²⁷*Compare Trucking Unlimited*, *supra*, 404 U.S. at 511-15, 92 S.Ct. at 612-14 with *Noerr*, *supra*.

²⁸See *NOW*, *supra*, at 1312 ("A social piece of legislation and the efforts involved in influencing the legislature's actions on such legislation is further afield from the central focus of the Sherman Act than a commercial piece of legislation and the petitioning efforts associated therewith.").

[15-17] The antitrust laws have in the past been employed against organizations that operate under the protection of the First Amendment. See, e.g., *Times-Picayune v. United States*, 345 U.S. 594, 73 S.Ct. 872, 97 L.Ed. 1277 (1953); *Lorain Journal v. United States*, 342 U.S. 143, 72 S.Ct. 181, 96 L.Ed. 162 (1951). But they have not, to our knowledge, been applied against a religious organization. Nevertheless, while the freedom to believe is absolute, civil law has always been recognized to have some right to impose restrictions on the freedom to act in pursuit of religious beliefs.²⁹ Thus neither religious (free exercise) nor social (antitrust) interests are totally free from a "balancing process." *Wisconsin v. Yoder*, 406 U.S. 205, 92 S.Ct. 1526, 32 L.Ed.2d 15 (1972) (hereinafter *Yoder*); *Gillette v. United States*, 401 U.S. 437, 91 S.Ct. 828, 28 L.Ed.2d 168 (1971); cf. *McDaniel v. Paty*, 435 U.S. 618, 98 S.Ct. 1322, 55 L.Ed.2d 593 (1978) (relying upon the "delicate balancing" required by *Yoder*, the Supreme Court struck down a state law disqualifying clergy from being legislators). The district court's ruling that the conduct attacked here is exempted because it was motivated by religious concerns does not press the inquiry far enough. Although motivation is an important consideration, good motive cannot immunize any action taken in its behalf. Of course, the antitrust laws should be read to trench as little as possible upon First Amendment freedoms,³⁰ but we read neither the *Noerr* nor the *Yoder* line of cases as requiring an absolute exemption from the antitrust laws for economic pressure tactics, however predatory, that are religiously motivated.

[18-20] We do not find any inconsistency between the *Noerr* line of cases and the *Yoder* balancing test. *Noerr* has been interpreted, first of all, not to apply to a situation where "First Amendment rights [are] used as the means or the pretext for achieving 'substantive evils' . . . which the legislature has the power to control." *California Motor Transport Co. v. Trucking Unlimited*, 404 U.S. 508, 515, 92 S.Ct. 609, 614, 30 L.Ed.2d 642 (1972). Thus the district court must initially determine if the economic pressure brought by the Church is legitimately geared to the Church's protection of its liturgy rather than its survival in the marketplace of religious books. That may be a more complicated quest here than that undertaken in *NOW* or *ILA*, where no potential economic benefits would have

²⁹*Cantwell v. Connecticut*, 310 U.S. 296, 303-304, 60 S.Ct. 900, 903-904, 84 L.Ed. 1213 (1940) ("the [free exercise clause of the First] Amendment embraces two concepts, — freedom to believe and freedom to act. The first is absolute but, in the nature of things, the second cannot be. Conduct remains subject to regulation for the protection of society."); see also *Reynolds v. United States*, 98 U.S. 145, 164, 25 L.Ed. 244 (1879) (polygamy held illegal — "Congress was deprived of all legislative power over mere opinion, but was left free to reach actions which were in violation of social duties or subversive of good order.").

³⁰*Noerr*, *supra*, 365 U.S. at 138, 81 S.Ct. at 530; *Yoder*, *supra*, 406 U.S. at 215, 92 S.Ct. at 1533 ("The essence of all that has been said and written on the subject is that only those interests of the highest order and those not otherwise served can overbalance legitimate claims to the free exercise of religion.").

adhered to the perpetrators of the boycott from the success of their tactics. But even assuming that the Church's activity is a genuine expression of the right to exercise freely, there are still limits on the tactics that may be used to accomplish its ends, which limits must be determined by weighing the costs to the national antitrust policies against the needs of free religious exercise in this situation. *Noerr* dealt with a means—a publicity campaign, readily identifiable and commonly acceptable as a tactic to influence legislation; *NOW* and *ILA* dealt with boycotts—a staple of political, as well as economic, activity. But this does not mean that all tactics in furtherance of recognized political ends are exempt from the antitrust laws; it does not take much imagination to conceive of many that clearly are not. Thus we believe that in every case, the court must carefully assess the nature and extent of the antitrust violations, including their market impact, against the religious goal sought to be implemented before deciding that the activities are exempt. This is our understanding of what the *Noerr* and *NOW* courts did before concluding that the activities concerned there should be exempt from the antitrust laws.

[21] There is no doubt that the actions of defendants here had an effect in the secular as well as in the Catholic community. But from the record before us, we are unable to strike the "delicate balance" between the First Amendment need to protect the free exercise of religion and the general community's interests in conducting commerce free of anti-competitive arrangements. If the balancing must be done at all, it is best left to the district court.

[22, 23] We delude ourselves neither that such balancing will be easy, nor that weighing the antitrust costs against the religious benefits of concerted activities might not at some point run afoul of the ban against state entanglement in religious affairs.³¹ Therefore, the difficult constitutional question should be deferred by the district court until the copyright and, if necessary, the antitrust questions are resolved.

CONCLUSION

[24] For the foregoing reasons, the case is *remanded* so that the issues presented by defendant-intervenors' counterclaims can be addressed. If those counterclaims are resolved in favor of Costello, or if the relief

³¹ *Walz v. Tax Commission of the City of New York*, 397 U.S. 664, 90 S.Ct. 1409, 25 L.Ed.2d 697 (1970); see also *Jones v. Wolf*, 443 U.S. 595, 99 S.Ct. 3020, 61 L.Ed.2d 775 (1979). The district court expressed its concern that any antitrust scrutiny would entangle it in ecclesiastical decisions. *Costello Publishing Co., Inc. v. John E. Rotelle, O. S. A., et al.*, No. 76-1930 (D.D.C. August 22, 1980), mem. op. at 5, J.A. 947. It is not yet clear, however, whether or to what degree that is necessarily true. Certainly the court must be cautious not to entangle itself in the decision-making process of the Church with regard to its religious obligations, but that concern should not block the court from at least considering the market impact of the activity in the first place in order to assess its antitrust effects. Further, if anti-trust violations should be found, the court must, of course, be sensitive to the nature of the religious organizations involved in prescribing any antitrust remedies that might be warranted as well as in weighing competing First Amendment and antitrust interests.

awarded defendant-intervenors does not deprive Costello of the accused books, then the antitrust issues should be considered in light of the guidelines laid down in this opinion³².

REVERSED AND REMANDED FOR PROCEEDINGS IN ACCORDANCE WITH THIS OPINION.

DAN-DEE IMPORTS, INC. Plaintiff, v. WELL-MADE TOY MFG. CORP., Defendant

No. 80 C 3409

(United States District Court, E. D. New York—October 19, 1981)

524 F.Supp. 615. 217 U.S.P.Q. 1363

Defendant moved to dismiss copyright infringement action for want of subject-matter jurisdiction because plaintiff assertedly failed to comply with certain copyright registration and transfer recordation requirements with respect to its copyright in the work allegedly infringed. The District Court, Neaher, J., held that: (1) plaintiff was not required to have written evidence of transfer of copyright to it as prerequisite to issuance of copyright registration, and (2) there was genuine issue of fact as to intention of assignor and assignee in entering into two postregistration agreements in relation to asserted prior oral assignment, precluding summary judgment.

Ordered accordingly.

1. Copyrights and Intellectual Property

Memorandum confirming prior oral assignment of copyright need not be contemporaneous with assignment.

2. Copyrights and Intellectual Property

In copyright infringement action, plaintiff must establish ownership of copyright.

3. Copyrights and Intellectual Property

While plaintiff who is also author may rely on certificate of registration as prima facie evidence of validity of copyright and of facts stated in certificate, including ownership, that does not preclude a defendant from challenging a transfer indicated on certificate, and putting plaintiff to proving existence of at least a note or memorandum of transfer. 17 U.S.C.A. § 410(c).

³²In a Petition For Rehearing Or, In the Alternative, For Clarification filed by appellant on November 24, 1981, and denied on December 16, 1981, appellant Costello argues that all of his antitrust claims are not contingent upon successfully defending against the copyright counterclaim. While the focus of his antitrust arguments on appeal decidedly concerned the events surrounding the accused books, we agree that as to any alleged antitrust violations that go *beyond* those specific to Memorandum 5 and the accused books, a finding of infringement of copyright against Costello would not necessarily cut off access to antitrust remedies since such violations, if proven, might inflict injuries upon Costello over and above those involved in the loss of the books. See p. 1042 n.7 *supra*.

4. Copyrights and Intellectual Property

Plaintiff was not required to have written evidence of transfer of copyright as a prerequisite to issuance of copyright registration, although such proof would be necessary on its copyright infringement claim.

5. Copyrights and Intellectual Property

In copyright infringement action, genuine issue of material fact existed with respect to intention of assignor of copyright and assignee in entering into two postregistration agreements in relation to the asserted prior oral assignment, precluding summary judgment.

6. Federal Civil Procedure

Leave to serve a supplemental pleading should be granted if it cures a jurisdictional defect.

7. Federal Civil Procedure

Since there was no prejudice to defendant in copyright infringement action from any delay in serving supplemental pleading, plaintiff's proposed amended and supplemental complaint was accepted for filing and service.

Ostrolenk, Faber, Gerb & Soffen, New York City, by Edward A. Meilman, New York City, for plaintiff.

Strassberg & Strassberg, New York City, by Louis Strassberg, New York City, for defendant.

MEMORANDUM AND ORDER

NEAHER, *District Judge*. Defendant ("Well-Made") has moved to dismiss this copyright infringement action for want of subject matter jurisdiction because plaintiff ("Dan-Dee") assertedly failed to comply with certain copyright registration and transfer recordation requirements with respect to its copyright in the Bunny Clip-on Doll, the work allegedly infringed.

More specifically, Well-Made contends first that the present action was improperly instituted in that registration of the copyright in issue, without which an "action for infringement shall [not] be instituted," 17 U.S.C. § 411(a), was obtained by Dan-Dee on May 17, 1979 in purported contravention of copyright office regulations. Those regulations require applications for copyright registrations to be made only by "the owner of any exclusive right in a work," or a "copyright claimant," 37 C.F.R. § 202.3(c)(1), who may be either the author of the work of a person or organization claiming rights under the copyright originally belonging to the author, *id.*, § 202.3(a)(3)(i), (ii). Well-Made bases its contention on the fact that the earlier of two written agreements assigning Dan-Dee the copyright for the Bunny Clip-on Doll from its author, Angel Sewing Co., is dated June 10, 1979, and therefore Dan-Dee was not a proper "claimant" when the registration issued to it the previous month. Dan-Dee counters that assignment of the copyright actually was made in May 1978 by an oral agreement between Dan-Dee and Angel Sewing, which purportedly is referred to in the June 1979 assignment.

Well-Made's second contention is that Dan-Dee's commencement of this action on December 10, 1980, some three months before it recorded the

assignment from Angel Sewing on March 19, 1981, contravened 17 U.S.C. § 205(d), which provides that:

"No person claiming by virtue of a transfer to be the owner of copyright or of any exclusive right under a copyright is entitled to institute an infringement action under this title until the instrument of transfer under which such person claims has been recorded in the Copyright Office, but suit may be instituted after such recordation on a cause of action that arose before such recordation."

Dan-Dee has sought leave to amend its complaint to make two changes with respect to defendant's name and location of its principal place of business, which defendant does not oppose, and to allege that a written acknowledgment of the acquisition from Angel Sewing has been recorded in the United States Copyright Office.

For the reasons which follow the Court denies the motion to dismiss and accepts plaintiff's new pleading.

We deal first with Well-Made's contention that Dan-Dee was not entitled to obtain the copyright registration when it did. The earlier of the two written assignments which are the focus of this dispute provided in part as follows:

"the Author [Angel Sewing] does hereby irrevocably grant and assign to DAN-DEE IMPORTS, INC., . . . the copyrights in and the rights hereinafter set forth in the original works of art to be created or which were created by the Author pursuant to agreement between said Author and said DAN-DEE IMPORTS, INC., with said original works of art being embodied in:

CLIP-ON EASTER RABBIT a/k/a BUNNY CLIP-ON hereinafter called the copyrighted works."

The second, dated July 31, 1980, omitted the earlier assignment's reference to an agreement, providing only that for consideration received

"the Author [Angel Sewing] does hereby irrevocably grant and assign to DAN-DEE IMPORTS, INC., . . . the copyrights in and the rights hereinafter set forth in the original works of art which were created by the Author, with said original works of art being embodied in:

CLIP-ON EASTER RABBIT a/k/a BUNNY CLIP-ON hereinafter called the copyrighted works."

Well-Made argues that each agreement is merely an "instrument of conveyance," one of the authorized means for transferring rights to a copyright under 17 U.S.C. § 204(a), and evidences only a present transfer. The June 1979 agreement, however, plainly refers to an existing agreement between Angel Sewing and Dan-Dee, which the latter now asserts dates back to May 1978 and encompasses an assignment of copyright. It substantiates this contention by the deposition testimony and affidavit of Dan-Dee's president, Daniel Ranzman, that Angel Sewing's president, Edward Chang, orally assigned to Dan-Dee all rights, including copyright, to the Bunny Clip-on Doll and that Ranzman understood the parties intended the subsequent memoranda to confirm this agreement. Dan-Dee also points out that all of the copyrighted items manufactured since mid-1978 have carried a sewn-on label marked "© 1978 Dan-Dee Imports,

Inc.'', from which the inference may be drawn that Dan-Dee in fact had the authority to mark its goods in this fashion. Cf. 17 U.S.C. § 401(b) (form of copyright notice requires name of owner of copyright).

Defendant replies that the placement of "pursuant to agreement," following "works of art to be created or which were created by the Author" in the June 1979 agreement, favors a construction that the parties' oral agreement, if any, concerned the creation of copyrightable works. While that may be true, the language and structure of the first sentence in the June 1979 agreement do not exclude the possibility that Dan-Dee and Angel also agreed to transfer the copyright of any works the latter created. Whether they did thus remains an issue of fact for trial.

The principle of law on which Dan-Dee relies, and which Well-Made has apparently not contested, is that the requirements of 17 U.S.C. § 204(a) can be satisfied by an oral assignment later ratified or confirmed by "a note or memorandum of the transfer."¹

The only case authority supporting the proposition which the parties have cited, or the Court has discovered, is *Khan v. Leo Feist, Inc.*, 70 F.Supp. 450 (S.D.N.Y.), *aff'd*, 165 F.2d 188 (2d Cir. 1947). That case involved infringement of a calypso song, "Rum and Coca-Cola," for which plaintiff had secured a copyright on March 1, 1943, in Trinidad, British West Indies, pursuant to the British Copyright Act of 1911 and Trinidad law, following an oral assignment from the song's author. A written assignment, stating that the author had "heretofore assigned" the copyright, was entered into on April 16, 1945, before plaintiff obtained a United States copyright on the basis of the Trinidad registration. Because the case involved interpretation of British copyright law, it is not clear authority in the present case.

[1] The former copyright act provided that a copyright could be "assigned, granted, or mortgaged by an instrument in writing signed by the proprietor of the copyright." 17 U.S.C. § 28 (1970) (superseded). Professor Nimmer has interpreted the addition of "a note or memorandum of the transfer" in new 17 U.S.C. § 204(a), as a codification of the holding in *Khan*, Nimmer on Copyrights, § 10.03[A] at 10-34 (1981). Such a view is not plainly at odds with the sparse legislative history on new §204(a), declaring it "a somewhat broadened and liberalized counterpart of sections 28 and 29 of the present statute." H.R.Rep. No. 94-1476, 94th Cong., 2d Sess. 128, *reprinted in* [1976] U.S.Code Cong. & Ad. News. 5659, 5744. Certainly the rationale of the Court of Appeals in *Khan*, that a subsequent memorandum confirming a prior oral assignment could satisfy the British Copyright Act's requirement that no assignment is valid "unless it is in writing," see 165 F.2d at 190 n.1 (quoting § 5(2) of British Act), as it would the statute of frauds, see 165 F.2d at 191-92, applies with equal

¹"A transfer of copyright ownership, other than by operation of law, is not valid unless an instrument of conveyance, or a note or memorandum of the transfer, is in writing and signed by the owner of the rights conveyed or such owner's duly authorized agent, . . ." 17 U.S.C. § 204(a).

force to the present statute. It is hornbook law, of course, that the memorandum need not be contemporaneous with the assignment, *e.g.*, 2 Corbin on Contracts, § 503 at 714-15.

[2, 3] Furthermore, the regulations respecting registration do not clearly preclude issuance of a copyright to an applicant who has only received oral assignment prior to the registration, since a "claimant" includes "a person or organization that has obtained . . . the *contractual right* to claim legal title to the copyright in an application for copyright registration." 37 C.F.R. § 202.3(a)(3)(ii) n.1 (emphasis added). In this connection, it bears remembering that in a copyright infringement action a plaintiff must establish ownership of the copyright. See *Reyher v. Children's Television Workshop*, 533 F.2d 87, 90 (2d Cir. 1976). While a plaintiff who is also the author may rely on the certificate of registration as "prima facie evidence of the validity of the copyright and of the facts stated in the certificate," 17 U.S.C. § 410(c), including ownership, this plainly would not preclude a defendant from challenging a transfer indicated on the certificate, and putting plaintiff to proving the existence of at least a note or memorandum of the transfer. *Cf. Broadcast Music, Inc. v. Moor-Law, Inc.*, 484 F.Supp. 357, 363 (D.Del.1980) (proof of assignment of previously registered copyrights).

[4] Accordingly, the Court holds that Dan-Dee was not required to have written evidence of the transfer from Angel Sewing as a prerequisite to the issuance of copyright registration for the Bunny Clip-on Doll, although such proof would, of course, be necessary on its copyright infringement claim.

[5] In view of the foregoing, there is plainly an issue of fact as to the intention of Angel Sewing and Dan-Dee in entering into the two post-registration agreements, in relation to the asserted prior oral assignment. This must be resolved by the finder of fact in light of "the agreement itself, the statements and actions of the parties contemporaneous with and following the agreement, oral testimony, affidavits [and] depositions." *Epoch Producing Corp. v. Killiam Shows, Inc.*, 522 F.2d 737, 746 n.7 (2d Cir. 1975).

Turning now to Well-Made's contention that this action was improperly commenced because Dan-Dee did not record its transfer from Angel Sewing prior to filing suit, there is certainly support for that proposition in the decidedly unambiguous language of § 205(d), *supra*, as confirmed by case authority. Thus in *Burns v. Rockwood Distributing Co.*, 481 F.Supp. 841 846-47 (N.D.Ill.1979), it was held that an assignee's recordation of transfer was a "jurisdictional prerequisite to the institution of a copyright infringement action." That decision was subsequently followed in *Ruskin v. Sunrise Management*, 506 F.Supp. 1284, 1288-89 (D.Colo.1981).

Dan-Dee, however, does not seriously dispute that its action was improperly commenced under § 205(d), but to avoid the inconvenience of dismissal and filing a new action that Well-Made's interpretation apparently requires, it seeks leave to file an amended complaint which alleges

that "a written acknowledgement of the acquisition has been recorded in the United States Copyright Office." While strictly the pleading Dan-Dee seeks leave to file is, in this respect, a supplemental one under Rule 15(d), F.R.Civ.P., because the recordation of transfer is an event that has "happened since the date of the pleading sought to be supplemented," the mischaracterization of its motion is immaterial to whether it may receive the correct relief it actually seeks, see Rule 1; *United States for the use of Atkins v. Reiten*, 313 F.2d 673 (9th cir. 1963); accord, *Davis v. Piper Aircraft Corp.*, 615 F.2d 606 (4th Cir.), *pet. for cert. dismissed*, 448 U.S. 911, 101 S.Ct. 25, 65 L.Ed.2d 1141 (1980).

[6] There is no question that leave to serve a supplemental pleading should be granted if it cures a jurisdictional defect. The Supreme Court pointed this out in *Mathews v. Diaz*, 426 U.S. 67, 96 S.Ct. 1883, 48 L.Ed.2d 478 (1976), in upholding the district court's denial of a motion to dismiss despite the plaintiff's initial failure to file an application, which was a "non-waivable condition of jurisdiction," 426 U.S. at 76, 96 S.Ct. at 1889. Apposite here is the Court's statement that:

"A supplemental complaint in the District Court would have eliminated this jurisdictional issue; since the record discloses, both by affidavit and stipulation, that the jurisdictional condition was satisfied, it is not too late, even now, to supplement the complaint to allege this fact. Under these circumstances, we treat the pleadings as properly supplemented by the Secretary's stipulation that Espinosa had filed an application." 426 U.S. at 75, 96 S.Ct. at 1889.

See also *Davis v. Piper Aircraft Corp.*, *supra*, 615 F.2d 606, where a divided panel of the fourth circuit permitted a supplemental pleading alleging the plaintiff's post-commencement qualification as executor of an estate to relate back under Rule 15(c) to the filing of the original complaint, and *Security Insurance Co. of New Haven v. United States*, 338 F.2d 444 (9th Cir. 1964), a case under the Miller Act, 40 U.S.C. §§ 270a-270d (which requires in effect that suit be brought not less than 90 days nor more than one year after the last act for which claim is made), where the court permitted a supplemental pleading alleging expiration of the 90 days to relate back to the original filing date, when the pleading was not supplemented until more than one year had passed.

[7] Since it is clear that there is no prejudice to Well-Made from any delay in serving the supplemental pleading, for example, the running of a limitations period or increased difficulty in obtaining proof or witnesses, plaintiff's proposed amended and supplemental complaint will be accepted for filing and service, and the motion to dismiss denied.

SO ORDERED.

The Clerk of the Court is directed to forward copies of this memorandum and order to counsel for the parties.

In re **DC COMICS, INC.**

*(Patent and Trademark Office Trademark Trial and Appeal Board—
Decided July 31, 1981)*

211 USPQ 834

[See also 689 F.2d 1042, 215 USPQ 394, 46 C.O.Bull. 394 (C.C.P.A.—
Reversed, Sept. 30, 1982)]

Appeal from Examiner of Trademarks.

Application for registration of trademarks of DC Comics, Inc., Serial Nos. 56,993, filed July 7, 1975, 57,159, filed July 8, 1975, and 94,029, filed July 20, 1976. From decisions refusing registration, applicant appeals. Affirmed.

TRADEMARKS**1. Evidence—In general****Pleading and practice in Patent Office—In general****Prior adjudication**

Registration that was cancelled under Trademark Act Section 8 is evidence of nothing except that it was issued; erroneous or possibly erroneous allowance by trademark attorney is not binding on Trademark Trial and Appeal Board, which has responsibility for reaching independent conclusion on basis of record in specific case on appeal.

2. Marks and names subject to ownership—In general

There is no rule that picture of fanciful humanized figure cannot be valid trademark.

3. Marks and names subject to ownership—In general

Fact that doll, and even illustrations on package, including design sought to be registered, may be protected by copyright is not reason for granting trademark rights of unlimited duration.

4. Marks and names subject to ownership—In general

Fact that designs claimed as marks may be associated with other uses of same designs, in various different postures, in other contexts, such as comic books, movies, or other playthings, so that designs would enable one to determine source of common origin of all these products and may even enable dolls to be distinguished from different dolls made by other manufacturers, does not mandate protection of designs as trademarks by registering them.

5. Marks and names subject to ownership—Descriptive—In general

If word may be descriptive, so may picture.

6. Marks and names subject to ownership—In general**Marks and names subject to ownership—Descriptive—In general**

General rule that word is equivalent of picture is normally applicable to common objects and their common nouns, not to fictional characters whose names are fictional; name of book or name of game that has no other possibly descriptive name, and equivalent picture of toy that has no other possibly descriptive name, is not trademark and cannot be registered.

Ladas & Parry, New York, N.Y., for applicant.

Before Rice, Kera and Allen, Members.

KERA, *Member*. D. C. Comics Inc., by change of name from National Periodical Publications, Inc., has filed applications on the Principal Register to register the marks shown below:

A. Serial No. 56,993, filed July 7, 1975, for toys, claiming first use on February 1, 1974:



B. Serial No. 57,159, filed July 8, 1975, for toy doll figure, claiming first use on December 10, 1972:



C. Serial No. 94,029, filed July 20, 1976, for toys, claiming first use on December 10, 1972:



In all three applications the specimens show that the goods are made for a company other than applicant. In Serial Nos. 56,993 and 57,159, applicant has satisfactorily explained that the party for whom the goods are made is a controlled licensee, i.e., a related company under § 5 of the Trademark Act. If applicant ultimately prevails in this appeal, the same explanation, if correct, should be made a part of the record in Serial No. 94,029.

In all three applications registration has been finally refused on the ground that the design claimed as a trademark is merely descriptive because it is a representation of the goods, which are toy dolls with movable arms and legs, and faces and costumes that replicate, as nearly as possible, the comic book characters "JOKER", "SUPERMAN", and "BATMAN".

Applicant appealed, filed briefs, and requested a consolidated hearing at which oral argument was presented, leading to this consolidated decision.

It appears from the record and arguments that each of the marks is used on a carton which is the packaging for a doll, or a toy doll figure, which is intended to be a replica of a comic book character.¹

[1] Applicant has asserted a number of reasons why the refusals of registration should be reversed. Two of these arguments may be disposed of at once. First, any argument that the alleged marks function to distinguish applicant's goods because of the various combinations of colors in which they are printed has no basis in the record because no claim to color is made in any of the applications. The formal drawings are in black and white without any lining for color as prescribed in Rule 2.52(e) and there is no description of a combination of colors or claim to color as a feature of the mark in any of the applications. Secondly, the fact that, at one time, there was a registration in the Patent and Trademark Office of a mark consisting of a silhouette of a very stout person for balloons, stuffed toy figures, dolls, and floats for bathers,² is immaterial because that registration was cancelled under § 8 of the Trademark Act and hence is evidence of nothing except that it was issued [see: *Unitec Industries, Inc. v. Cumberland Corporation*, 176 USPQ 62 (TTAB 1972); *Bonomo Culture Institute, Inc. v. Mini-Gym, Inc.*, 188 USPQ 415 (TTAB 1975)] and also because an erroneous or possibly erroneous allowance by an Office Trademark Attorney is not binding upon the Board, which has the responsibility for reaching an independent conclusion on the basis of the record in the specific case on appeal [cf. *Weiss Noodle Company v. Golden Cracknel and Specialty Company*, 129 USPQ 411 (CCPA 1961); *In re Cosmetically Yours, Inc.*, 171 USPQ 563 (TTAB 1971)].

[2] The cancelled silhouette design mark just discussed was one of a number of design marks of fanciful humanized figures of which applicant filed copies of registrations to support the argument that these kinds of designs are registrable. There is, of course, no rule that a picture of a fan-

¹If applicant ultimately prevails in these appeals, the Office Trademark Attorney may wish to require an amendment of the identification of goods in Serial No. 56,993 and Serial No. 94,029 to toy doll figure, which is the identification of goods in Serial No. 57,159.

²Registration No. 883,255, issued Dec. 30, 1969.

ciful humanized figure cannot be a valid trademark. The question presented in this case is whether a picture of a fanciful or fictitious human figure can be a registrable trademark for the toy doll version of the same fanciful or fictitious comic book character. Hence, registrations of fanciful humanized figures for foods, food products, cleaners and detergents and sleepwear are simply irrelevant. The one registration which is not outright irrelevant is Registration No. 966,986, issued August 28, 1973, for dough molded in the shape of a chef, with a kerchief and a chef's hat for toys. There is nothing to indicate that this mark has ever been used for toy dolls, but even if it were, its issuance is not controlling. Cf. *Weiss Noodle Company v. Golden Crackenel and Specialty Company*, *supra*, and *In re Cosmetically Yours, Inc.*, *supra*.

Applicant, as a part of its effort to secure the reversal of the refusals of registration, has referred to various registrations it has obtained for word marks (e.g., "BATMAN") and word and design marks (e.g., BATMAN and design of face and spread cape) for various goods. One of these registrations, as pertinent as any, is Registration No. 1,070,290, issued July 26, 1977, for the word mark "SUPERMAN" for toy doll figures. None of these registrations, however, is in point because none is for a mark which is, in effect, an illustration of the goods, and the fundamental question in these applications is whether an artistic rendition of a fictitious character can serve as a trademark for what is a somewhat cruder three-dimensional toy doll version of the same fictitious character.

Applicant has also made of record photographs of a number of products on which pictures of the character denominated as "SUPERMAN" in various poses, with or without the word "SUPERMAN", have been displayed. None of these pictures, by itself, establishes that "SUPERMAN" or a picture of the character or a combination of the word and picture necessarily is entitled to recognition as a trademark for the item in question rather than as a merely decorative feature of the product or package; and, again, none of these pictures answers the question whether an idealized picture of a doll is entitled to the status of being a registrable trademark for a doll which is a toy version of the character that is depicted on the carton.

There is a plenitude—one is tempted to say a surfeit—of decisions that list principles to be considered when a tribunal must decide whether a purported mark is indeed protectible and registrable or is descriptive or functional and, for that reason, is not registrable (although under certain circumstances it may be subject to some judicial protection against copying). None of the cases that have been cited by applicant or the Office Trademark Attorney or that we have found answers directly the question posed by this appeal. What we can do is to extract relevant statements from prior opinions and apply them to the particular facts we have.

In re The Deister Concentrator Company, Inc., 129 USPQ 314 (CCPA 1961), is our starting point:

"In contemplating the registration of a mark on the Principal Register we must bear in mind the significance of such registration. Under section 7(b) of the Lanham Act (15

U.S.C. 1057(b) it constitutes 'prima facie evidence of the validity of the registration, registrant's *ownership of the mark* and of *registrant's exclusive right to use the mark* in commerce in connection with the goods or services specified in the certificate' (our emphasis) [sic]. This means, so far as this case is concerned, that we cannot sanction registration on the Principal Register of anything unless the applicant for registration, absent a copyright or patent, would have the right under the general law to prevent others from using or copying it. Unless he has such right, he does not own a trademark."

Id., at 319-20.

"Trademarks enable one to determine the existence of common source; but not everything that enables one to determine source is a trademark.

A trademark distinguishes one man's goods from the goods of others; but not everything that enables goods to be so distinguished will be protected as a trademark. Some trademarks are words or configurations which are protected because they have acquired a 'secondary meaning'; but not every word or configuration that has a de facto 'secondary meaning' is protected as a trademark.

A feature dictated solely by 'functional' (utilitarian) considerations may not be protected as a trademark; but mere possession of a function (utility) is not sufficient reason to deny protection."

Id., at 320.

[3] We conclude from *Deister* that the fact that the doll and even the illustrations on the package, including the design sought to be registered, may be protected by copyright is not a reason for granting "trademark rights of *unlimited* duration [emphasis in original]" (id., at 319).

[4] The case teaches, additionally, that the fact that the designs claimed as marks may be associated with other uses of the same designs, in various different postures, in other contexts, such as comic books, movies, or other playthings, so that the designs would enable one to determine the source of common origin of all these products and may even enable the dolls to be distinguished from different dolls made by other manufacturers, does not mandate protection of the designs as trademarks by registering them.

It is our opinion that the designs of the three dolls involved in this appeal are quintessentially utilitarian. A child who wants to playact with dolls an adventure involving the character "Superman" or the character "Batman" or the character "Joker" would simply not be satisfied with any doll that was not a replica of the appropriate character. The customary dress, accoutrements and facial expression of the character are indispensable elements of the commercial appeal of the product. Thus, these features are commercially functional. The artistic renditions of the dolls, as presented on the cartons and shown in the drawings of the applications, are informative depictions of the contents of the boxes and, further, *serve* to reinforce the desirability of the dolls by assisting a child to associate the dolls more closely with the characters as seen in other contexts and to identify with the adventures of the characters represented by the dolls. Hence, the designs are functional in a utilitarian sense and for that reason are not trademarks.

A somewhat different basis for refusing registration may be derived from the concurring opinion by Judge Rich in *In re Abcor Development Corporation*, 200 USPQ 215, 219 (CCPA 1978), where he wrote, "The

ultimate in descriptiveness is the *name* of a thing" [emphasis in original]. We think it is fair to extend this proposition to the conclusion that the ultimate in descriptiveness in this situation is a *picture* of the character represented by a toy doll.

The same conclusion is reached by applying the test outlined in *Robert Bruce, Inc. v. Sears, Roebuck & Co.*, 174 USPQ 94, 101 (E.D. Pa. 1972):

"Designations are descriptive if they naturally and normally direct attention to the qualities, ingredients, appearance, effect, purpose, or other features of goods or services. This may be attributable to the simplicity of the word and the fact that it is readily understood in all its implications. The descriptiveness of a designation should be determined not in the abstract, but in relation to the goods to which it relates and the context in which it is used." [The Court omitted the footnotes while citing 3 Callman § 71.1, pp. 112-13. Court's additional citations omitted.]

[5] If a word may be descriptive, so may a picture. See; *In re International Spike, Inc.*, 196 USPQ 44 (TTAB 1977). The pictures we are talking about naturally and normally direct attention to the appearance and purpose of the goods enclosed in the cartons on which the pictures are printed. Under the test in *Robert Bruce*, *supra*, the pictures are descriptive, and, as we concluded in *International Spike*, *supra*, the pictures are so descriptive that they are not trademarks.

[6] In its brief, and more so at the oral argument, applicant placed its major reliance on *In re Penthouse International, Ltd.* 195 USPQ 698 (CCPA 1977). That case is not controlling here for several reasons. First of all, the issue in that case was whether a design, already registered as a trademark for other goods, could be registered as a trademark for jewelry when the design constituted the jewelry and was not merely stamped on the jewelry or on the boxes in which the jewelry was packaged. That factor is not present in this case. There is no proof in the record that any of the designs, in the forms shown in the drawings, is registered as a trademark for any goods. Applicant's argument that a word is the equivalent of a picture so that the registrations of the word marks "SUPERMAN" and "BATMAN" bridge this gap is unpersuasive because that general rule is normally applicable to common objects and their common nouns, not to fictional characters whose names are fictional. Furthermore, the name of a book or the name of a game which has no other possibly descriptive name (and the equivalent picture of a toy which has no other possibly descriptive name) is not a trademark and cannot be registered. See: *In re Cooper*, 117 USPQ 396 (CCPA 1958).

Secondly, the decision in *Penthouse*, *supra* rested to a degree on the essential distinction between engineering function and ornamental function. The dolls in this case possess "engineering", i.e., utilitarian, function. Take away the facial expressions, the clothes and the accompanying props, and all that are left are pieces of molded plastic of no distinction whatsoever, undesired and unsaleable. The designs depict the very details which make the dolls commercially viable.

And thirdly, in *Penthouse*, the Court observed that the case arose only because of the form of the specimens. Had specimens consisting of box

labels or pendants bearing a small embossed version of the mark been presented, it was conceded that registration would not have been refused. As shown above, our appeal involves a radically different set of circumstances and a much different question. For all these reasons, Penthouse is not relevant to this situation.

Decision

The refusal of registration in each application is AFFIRMED.

DR. PEPPER COMPANY v. SAMBO'S RESTAURANTS, INC., Bozell & Jacobs, Inc., and Bozell & Jacobs International, Inc.

No. CA3-81-0072-C

(United States District Court, N. D. Texas, Dallas Division—July 13, 1981)

517 F.Supp. 1202. 214 USPQ 947

In a suit under copyright laws and trademark laws, the District Court, William M. Taylor, Jr., J., held that: (1) where no one interviewed believed that "Dancing Seniors" commercial which was exhibited to promote restaurant chain was attempt to sell soft drink in competition with plaintiff, but some believed that such commercial was similar to that exhibited to promote soft drink, there was no infringement of trademark or likelihood of confusion, and property interest in commercial was protected by copyright law rather than by state or federal trademark laws, and (2) in view of fact that defendants copied essence of copyrighted commercials and jingle and plaintiff showed lucidly how it was harmed by infringing commercial by distraction from plaintiff's copyrighted works, plaintiff was entitled to permanent injunction and to trial on issue of damages sustained, for infringement of copyright.

Permanent injunctive relief granted, and trial to be held as to damages.

1. Copyrights and Intellectual Property

Trade Regulation

Where no one interviewed believed that "Dancing Seniors" commercial which was exhibited to promote restaurant chain was attempt to sell soft drink in competition with plaintiff, but some believed that such commercial was similar to that exhibited to promote soft drink, there was no infringement of trademark or likelihood of confusion, and property interest in commercial was protected by copyright law rather than by state or federal trademark laws. 17 U.S.C.A. §§ 106, 107, 501; Lanham Trade-Mark Act, §§ 43, 43(a), 15 U.S.C.A. §§ 1125, 1125(a); 28 U.S.C.A. § 1338.

2. Copyrights and Intellectual Property

To show infringement of copyright, plaintiff must first show ownership of valid copyright and that defendants or their agents and employees copied it, but copy need not be exact, it being sufficient if there is colorable alteration of copyrighted work. 17 U.S.C.A. §§ 106, 107.

3. Copyrights and Intellectual Property

Copyright laws protect expression of idea, not idea itself. 17 U.S.C.A. §§ 106, 107.

4. Copyrights and Intellectual Property

In view of fact that creators of commercial testified that they were trying to parody plaintiff's commercials and as matter of fact had to tone down their original rendering to satisfy defendant's attorneys, and where viewing of accused commercial and assortment of plaintiff's own commercials and hearing of the two jingles showed their substantial similarity, there was copying and, absent application of fair use doctrine, liability for infringement. 17 U.S.C.A. §§ 106, 107.

5. Copyrights and Intellectual Property

In view of fact that defendants copied essence of copyrighted commercials and jingle and plaintiff showed lucidly how it was harmed by infringing commercial by distraction from plaintiff's copyrighted works, plaintiff was entitled to permanent injunction and to trial on issue of damages sustained, for infringement of copyright. 17 U.S.C.A. §§ 106, 107.

Robert W. Jordan & George C. Lamb, III, Rain, Harrell, Emery, Young & Doke, Mannett Antill Dodge, Dr. Pepper Co., Dallas, Tex., for plaintiff.

Roger C. Clapp, Richards, Harris & Medlock, Dallas, Tex., Douglas J. Wood, Hall, Dickler, Lawler, Kent & Howley, New York City, for defendants.

OPINION

WILLIAM M. TAYLOR, Jr., *District Judge*. Frivolity has become a serious business these days. Television commercials which are meant to portray a stylization of the good life are crafted with great care, using all the skills that the arts and psychology have produced.

Undoubtedly, the vast majority of citizens of this nation have become familiar with Plaintiff (a Colorado Corporation with its principal place of business here in Texas)'s "Be A Pepper" media campaign. This campaign has been so successful that though it is in only its fourth year, Plaintiff projects that it will have a viability of at least ten years. This massive undertaking has so far cost Plaintiff over \$100 million, quite a sum for a corporation whose annual sales are \$330 million.

As is so many times true, success breeds imitation. Defendant Bozell & Jacobs, Inc., (a Delaware Corporation with its principal place of business in New York) as the advertising agent for Defendant Sambo's Restaurants, Inc., (a California Corporation with a California principal place of business) created a television commercial for Sambo's which had the intended effect of increasing the patronage of senior citizens at Sambo's Restaurants.

This commercial with the name of "Dancing Seniors" was created in the latter part of 1980 after copies of one or more of Plaintiff's copyrighted "Be A Pepper" commercials were obtained and viewed by Bozell & Jacobs employees. The individuals in the employ of Defendant Bozell & Jacobs, Inc., made no bones about it in their testimony, they were attempting a parody of the "Be A Pepper" commercials. Their first attempts were too successful in capturing the essence of Plaintiff's commercials and on the advice of counsel, changes were made so not so much of Plaintiff's material would be used.

Upon approval of Defendant Sambo's, the "Dancing Seniors" commercial was aired in several cities, including Dallas, in late 1980 and early

1981. These airings were in conjunction with a campaign involving the local Sambo's Restaurants in which store banners and advertising display table tents were used.

On January 16, 1981, Plaintiff filed its complaint in this Civil Action asking for a temporary restraining order, a preliminary injunction, a permanent injunction and money damages from the Defendants. At a conference attended by attorneys for both sides, the Court announced that it would enter a temporary restraining order enjoining Defendants from showing the "Dancing Seniors" commercial. Subsequently, Defendants agreed to forego a preliminary injunction hearing on the condition that discovery be expedited and trial on the merits be advanced on the Court's calender.

Trial has now been had as to liability.¹ At the close of trial, the Court continued the restraining order until it could issue its opinion and any subsequent orders.

As Plaintiff's principal claims arise out of the copyright laws, 17 U.S.C. § 501² and the trademark laws, 15 U.S.C. § 1125,³ this Court has jurisdiction under 28 U.S.C. § 1338.⁴

Plaintiff's complaint is in four counts entitled "Copyright Infringement," "False Designation of Origin and False Description," "Trademark Infringement" and "Misappropriation of Business Goodwill."

Counts I and III are self-explanatory in that a mere reading of their title shows them to arise under the federal copyright and the state and federal trademark laws.

Count II, "False Designation of Origin and False Description," arises under 15 U.S.C. § 1125, part of the federal trademark law. It will not be discussed separately from the discussion of Count III.

¹The Parties have stipulated to a bifurcated trial as to liability and damages.

²17 U.S.C. § 501. Infringement of copyright.

(a) Anyone who violates any of the exclusive rights of the copyright owner as provided by sections 106 through 118 or who imports copies or phonorecords into the United States in violation of section 602, is an infringer of the copyright.

(b) The legal or beneficial owner of an exclusive right under a copyright is entitled, subject to the requirements of sections 205(d) and 411, to institute an action for any infringement of that particular right committed while he or she is the owner of it. The court may require such owner to serve written notice of the action with a copy of complaint upon any person shown, by the records of the Copyright Office or otherwise, to have or claim an interest in the copyright, and shall require that such notice be served upon any person whose interest is likely to be affected by a decision in the case. The court may require the joinder, and shall permit the intervention, of any person having or claiming an interest in the copyright.

(c) For any secondary transmission by a cable system that embodies a performance or a display of a work which is actionable as an act of infringement under subsection (c) of section 111, a television broadcast station holding a copyright or other license to transmit or perform the same version of that work shall, for purposes of subsection (b) of this section, be treated as a legal or beneficial owner if such secondary transmission occurs within the local service area of that television station.

(d) For any secondary transmission by a cable system that is actionable as an act of infringement pursuant to section 111(c)(3), the following shall also have standing to sue: (i) the primary transmitter whose transmission has been altered by the cable system; and (ii) any broadcast station within whose local service area the secondary transmission occurs.

Count IV, "Misappropriation of Business Goodwill," alleges that Defendants have misappropriated part of the business goodwill of Plaintiff by copying Plaintiff's commercials and the jingle used in the commercials. The Court sees no viability of this count independent of the copyright and trademark claims of the Plaintiff. So it will not be discussed separately. It is axiomatic that the loss sustained by a business when its copyrights or trademarks are impinged upon is a loss of goodwill.

Trademark

[1] The Court does not see a violation of Plaintiff's trademark rights in this case. A simple viewing of a selection of Plaintiff's commercials and the "Dancing Seniors" commercial shows that the "Dancing Seniors" commercial is clear in its depiction of what goods and services are being sold by whom. There is no attempt in the "Dancing Seniors" commercial to sell a soft drink in competition with Plaintiff and there is no suggestion that the goods and services marketed by Defendant Sambo's are the goods and services of Plaintiff.

Indeed, Defendants commissioned a market survey to test the likelihood of confusion between Defendant Sambo's goods and services and Plaintiff's goods. The results of this survey, as expected, are quite clear. Absolutely no one believed that the "Dancing Seniors" commercial is an attempt to sell a soft drink in competition with Plaintiff or that it is a commercial for anyone other than Defendant Sambo's.

³15 U.S.C. § 1125. False designations of origin and false descriptions forbidden

(a) Any person who shall affix, apply, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce, and any person who shall with knowledge of the falsity of such designation of origin or description or representation cause or procure the same to be transported or used in commerce or deliver the same to any carrier to be transported or used, shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin or in the region in which said locality is situated, or by any person who believes that he is or is likely to be damaged by the use of any such false description or representation.

(b) Any goods marked or labeled in contravention of the provisions of this section shall not be imported into the United States or admitted to entry at any customhouse of the United States. The owner, importer, or consignee of goods refused entry at any customhouse under this section may have any recourse by protest or appeal that is given under the customs revenue laws or may have the remedy given by this chapter in cases involving goods refused entry or seized.

⁴28 U.S.C. § 1338. Patents, plant variety protection, copyrights, trademarks and unfair competition.

(a) The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trade-marks. Such jurisdiction shall be exclusive of the courts of the states in patent, plant variety protection and copyright cases.

(b) The district courts shall have original jurisdiction of any civil action asserting a claim of unfair competition when joined with a substantial and related claim under the copyright, patent, plant variety protection or trade-mark laws.

Eight percent of the persons interviewed in that survey did state that the "Dancing Seniors" commercial was similar to Plaintiff's commercials.⁵ But this has to do with copyright infringement, not unfair use of trademarks, confusion of goods and services or trademark infringement.

Plaintiff contends in particular that the jingle used in "Dancing Seniors" contains a phrase that because of its similarity to a phrase in Plaintiff's copyrighted "Be A Pepper" jingle, which it uses in its commercials, misleads the public and confuses them. The "Be A Pepper" jingle's chorus ends with what must be a very familiar line to most people in this country, "... Wouldn't you like to be a Pepper too?" "Dancing Seniors" has as its tag the phrase: "Don't you want to be a Senior too?" The original version of this tag was "Wouldn't you want to be a Senior too?" But this is one of the items that was changed for fear it would infringe on Plaintiff's rights.

As a matter of practicality, this still does not show a likelihood of confusion between the goods and services sold by Defendant Sambo's and Plaintiff's goods under the *Lanham Act*, 15 U.S.C. § 1125(a) (1976). As a matter of formal logic, the "Be A Pepper" jingle is copyrighted, Plaintiff's property interest in it is protected by the copyright law not by either the state or federal trademark laws.

So, in summation, Plaintiff has not shown either the infringement of a trademark or a likelihood of confusion between the goods and the goods and services of Defendant Sambo's.⁶

Copyright

Plaintiff has copyrighted both its various television commercials and its "Be A Pepper" jingle and claims that its exclusive rights under 17 U.S.C. 106⁷ both the copyrights of the commercials and that of the jingle have been infringed without being excused under 17 U.S.C. § 107 (1976).⁸

⁵Defendant's Exhibit 10 entitled *Television Commercial Awareness in Clutter Situation—Dallas, Texas—April, 1981* shows the commercials that were stated by interviewees to be similar to "Dancing Seniors" in the following percentages:

	Recall
Dr. Pepper	8%
Kinney's Shoes	5
Burger King, McDonalds, Dairy Queen, Wendy's, Denney's	6
Jeno's, Tony's, other pizza	4
Other commercial	2
Others (None over 1 person)	7
Not similar to any other	67
	99%
Base	(120)

⁶Plaintiff has made no claim that a registered trademark owned by it has been infringed by the "Dancing Seniors" commercial so there is no false designation or origin question presented under 15 U.S.C. 1125.

⁷17 U.S.C. § 106 (1976) reads:

Subject to sections 107 through 118, the owner of copyright under this title has the exclusive rights to do and to authorize any of the following:

(1) to reproduce the copyrighted work in copies or phonorecords;

[2] To show infringement, Plaintiff must first show ownership of a valid copyright and second, that Defendants or their agents and employees copied it.⁹ A copy need not be exact but may be a colorful alteration of the copyrighted work.¹⁰

No real dispute has been made by Defendants about Plaintiff's ownership of the copyright of the "Be A Pepper" jingle and the various commercials and Plaintiff produced sufficient evidence at trial to show prima facie ownership.

Defendants' defense to the copyright counts is in two parts. First, they say that "Dancing Seniors" is not a copy and, second, that if it is, they have made fair use of the copyrighted material as allowed by 17 U.S.C. § 107.

The first contention just will not hold water. The creators of "Dancing Seniors" testified that they were trying to parody Plaintiff's commercials and, as a matter of fact, had to tone down their original rendering to satisfy Defendant Bozell & Jacobs, Inc.'s attorneys.

[3] As Judge Brown pointed out in his partial concurrence and partial dissent in *Triangle Publications, Inc. v. Knight-Ridder Newspapers, Inc.*, 626 F.2d 1171 (Fifth Cir., 1980), at 1179, the copyright laws protect the expression of an idea, not the idea itself. So we are confronted with the question of whether Defendants copied Plaintiff's expression embodied in the commercials and the jingle or the idea behind that expression.

[4] The Court finds that the "Dancing Seniors" commercial and its jingle do copy Plaintiff's expression. It may well be impossible not to copy an expression when one is attempting to parody. But, in any event, a viewing of

-
- (2) to prepare derivative works based upon the copyrighted work;
 - (3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending;
 - (4) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly; and
 - (5) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including images of a motion picture or other audiovisual work, to display the copyrighted work publicly.

⁸17 U.S.C. § 107 reads:

Notwithstanding the provisions of section 106, the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include—

- (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
- (2) the nature of the copyrighted work;
- (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- (4) the effect of the use upon the potential market for or value of the copyrighted work.

⁹*Ferguson v. National Broadcasting Co.*, 584 F.2d 111, 113 (5th Cir., 1978).

¹⁰*Tennessee Fabricating Co. v. Moultrie Manufacturing Co.*, 421 F.2d 279, 284 (5th Cir. 1970), cert. den., 398 U.S. 928, 90 S.Ct. 1819, 26 L.Ed.2d 91 (1970).

"Dancing Seniors," an assortment of Plaintiff's commercials and a hearing of the two jingles shows their substantial similarity and therefore the copying.

Plaintiff did a good job in its trial brief at p. 13 in setting out some of the major similarities between the commercials. It listed these similarities:

1. Both commercials begin with the appearance of a single individual.
2. Those individuals begin to sing a jingle, the first line of which establishes the individuals' patronage of a particular product ("I drink Dr. Pepper and I'm proud" versus "I eat at Sambos's Restaurants every day").
3. The jingle sung by each of the individuals then portrays the individuals as special or original by virtue of their association with the product ("I'm part of an original crowd" versus "I get a special deal on my dinner meal").
4. The individuals begin dancing and are joined by others who follow their lead "ala Dr. Pepper."
5. The viewers of both commercials are then invited to join the special or unique groups in the chorus of the jingle ("Wouldn't you like to be a Pepper, too?" versus "Don't you want to be a Senior, too?").
6. The viewers of both commercials are again invited to join the group as the chorus of both commercials is repeated.

Defendants did try to show that the tag line listed in number 5 above, "Don't you want to be a Senior, too?" is not musically similar to Plaintiff's "Be A Pepper" tagline, "Wouldn't you like to be a Pepper, too?" But Defendants' well qualified expert witnesses only took into account the two musical lines; he did not take into account the combination of lyrics and music. A listen to the "Dancing Seniors" jingle strikes a person with its tag line's similarity to the "Be A Pepper" jingle tag line.

So we find that Defendant Bozell & Jacobs, Inc. was successful in creating for Defendant Sambo's a commercial that copies, and, maybe, parodies Plaintiff's "Be A Pepper" commercials and jingle.

[5] The heart of Defendant's defense in this controversy is the fair use doctrine embodied in 17 U.S.C. § 107, set out in footnote 8, before.

Triangle Publications, Inc. v. Knight-Ridder Newspapers, Inc., *supra*, would appear to be the controlling authority as to this area of law in this Circuit.

That situation was somewhat comparable to the present one. One of Knight-Ridder's newspapers used a depiction of covers of TV Guide magazine, owned by Triangle Publications, in a series of television newspaper advertisements for a new television supplement for the newspaper. Knight-Ridder was not attempting to parody the TV Guide cover but was comparing its old supplement and its new supplement to TV Guide.

Judge Brown, in his majority opinion, explicated the four factors of 17 U.S.C. § 107 in light of that situation. His reasoning as to the four factors is clearly in point in this case.

As to the first factor, purpose and character of use, he found that "... any commercial use tends to cut against a fair use defense."¹¹ He

¹¹Supra, p. 1175.

went on to say that this factor should not be given too much weight as the use was for comparable advertising which is a use generally accepted in the advertising industry. At trial, Defendants did come forth with some evidence that could be said to show that parody is acceptable in the advertising industry.

Judge Brown then found that the work that was copied, was commercial in nature (the second factor) was neutral as to a fair use defense.

The third factor, amount and substantiality of the portion used in relationship to the whole or the copyrighted work, he found to not be very important in that case because only the cover was used, not the substance of the magazine, the articles and schedules. The present situation is different. Defendants have copied the essence of the copyrighted commercials and jingle. So this factor would tend to show no fair use.

Judge Brown characterized the fourth factor, potential market for or value of the copyrighted work, as the most important. He found only a de minimus effect on the value of the copyright. Triangle Publications failed to offer "... a cogent explanation of the logical link between the showing of TV Guide covers and the alleged harm to the copyright."¹²

That is not the case here. Plaintiff has shown lucidly how it is harmed by the "Dancing Seniors" commercial.

Plaintiff has spent approximately \$100 million on this "Be A Pepper" advertising campaign since 1978. This is quite a sum of money for a corporation whose gross sales were \$330 million in 1980. Plaintiff has built up a tremendous amount of business goodwill which reposes in this advertising campaign. As stated before, the campaign is such a success that it is now projected that it will endure for ten years instead of the seven years that it was originally thought that it would last. Distractions from the uniqueness and originality of the "Be A Pepper" commercials would logically shorten the life of the campaign which would be a loss of the business goodwill of Plaintiff.¹³

The present distraction from Plaintiff's copyrighted works is serious and therefore should not be allowed. Moreover, given that the infringement is substantial, Defendant should not be heard to say that by opposing the airing of one commercial Plaintiff is sticking its finger in a small hole in the dam.¹⁴

¹²Ibid, p. 1177.

¹³Defendants presented Mr. Stanley Marcus as a witness who said that the "Dancing Seniors" commercial was in good taste. Mr. Marcus is undoubtedly one of the few real tastemakers in this country. But whether or not the commercial is in good taste or even a clever parody of a copyrighted work is somewhat beside the point. In advertising, the appropriation of the form and substance of a copyrighted work will cause that copyrighted work to lose its valuable uniqueness and originality even if the infringing work is in good taste and cleverly done.

¹⁴Plaintiff's officials testified that it gets numerous requests each year to use the "Be A Pepper" jingle. It licenses those performances that it believes will add value to its "Be A Pepper" campaign and refuses to do so for those that it believes will detract from its campaign. This is clearly a logical and permitted use of the copyright laws to control Plaintiff's valuable property. This suit could be characterized the same.

Therefore, a permanent injunction shall be entered on Plaintiff's behalf and a trial held as to damages sustained by Plaintiff.

DODD, MEAD & COMPANY, INC., Plaintiff, v. Alfred M. LILIENTHAL, and Middle East Perspective, Inc., Defendants

No. 80 Civ. 3781 (KTD)

United States District Court, S. D. New York—April 8, 1981)

514 F.Supp. 105. 213 USPQ 46

[See also 495 F.Supp. 135, 44 C.O.Bull. 347 (S.D.N.Y., July 14, 1980)]

Publisher brought copyright infringement action against author seeking damages and injunctive relief. The District Court, Kevin Thomas Duffy, J., held that: (1) publisher's alleged failure to meet public demand did not permit author to publish his own copies of this book in contravention of the exclusive publication contract between the parties, and (2) publisher, which had been assigned the exclusive right to print, publish and sell the book, and which had not abandoned its exclusive right in light of its printing of 14,500 copies and spending of more than \$66,500 on manufacturing and advertising, was entitled to injunction and damages for the author's infringement of his copyright.

Order accordingly.

1. Contracts

Publisher's alleged failure to meet public demand did not permit author to publish his own copies of his book in contravention of the exclusive publication contract between the parties.

2. Copyrights and Intellectual Property

In order for the holder of a copyright to abandon his rights thereunder, he must perform some overt act which manifests an intent to surrender rights in the copyrighted material; mere inaction or negative behavior will not suffice.

3. Copyrights and Intellectual Property

Publisher, which had been assigned the exclusive right to print, publish and sell book, and which had not abandoned its exclusive right in light of its printing of 14,500 copies and spending of more than \$66,500 on manufacturing and advertising, was entitled to an injunction and damages for the author's infringement of the publisher's copyright by publishing his own copies of the book.

4. Copyrights and Intellectual Property

Ideas and opinions are not subject to copyright even though the specific form of expression may be.

5. Constitutional Law

There was no First Amendment right on the part of author to breach an exclusive publication contract which he freely entered into with the publisher. U.S.C.A.Const. Amend. 1.

Kaplan, Kilsheimer & Foley, New York City for plaintiff; Robert N. Kaplan, New York City, of counsel.

Stern & Reubens, New York City, for plaintiff.

Feinberg, Siff & Herman, New York City, for defendants; Peter S. Herman, New York City, of counsel.

OPINION

KEVIN THOMAS DUFFY, *District Judge*. This is a motion and cross-motion for summary judgment brought by the parties pursuant to Rule 56 of Fed.R.Civ.P. The pertinent facts are undisputed.

Defendant Alfred M. Lilienthal ["Lilienthal"] is the author of a literary work entitled *The Zionist Connection*. On October 10, 1977, Lilienthal contracted with a publisher, Dodd Mead Co., Inc. ["Dodd Mead"], for the publication of his book. By means of this agreement, Lilienthal granted to Dodd Mead "the exclusive right of printing, publishing and selling in book form [*The Zionist Connection*] in the United States of America and its dependencies, also Canada and the Philippine Islands during the full term of copyright and all renewals thereof . . ." Lilienthal also agreed that he would not, "without the consent of [Dodd Mead,] publish any abridged or other editions of the work or any book of similar or competing character."

Thereafter, Dodd Mead obtained a copyright registration in the name of Alfred M. Lilienthal, c/o Middle East Perspective, Inc. The certificate of copyright registration listed Dodd Mead as the registered agent of the author.

Dodd Mead printed and distributed 14,500 copies of the book between December 11, 1978 and October 10, 1979, and in addition Dodd Mead spent more than \$66,000 in manufacturing and promoting the book. The work is currently listed in Dodd Mead's catalogues as well as in *Books In Print*.

In 1979, Lilienthal became dissatisfied with Dodd Mead's publication and marketing efforts. He learned that the book could not be found in many bookstores and that Dodd Mead had stated they would not print any additional books. As a result, he instituted an action upon the contract in New York State Supreme Court in September, 1979, claiming the Dodd Mead had failed to perform adequately under the contract. That action is still pending.

In December, 1979, defendants Lilienthal and Middle East Perspective, Inc. ["MEP"] published an edition of *The Zionist Connection* ["MEP edition"]. The only substantial difference in this edition from the Dodd Mead edition are the deletion of the name of Dodd Mead as publisher and the insertion of Middle East Perspective, Inc. in its place. There is no doubt that the two publications are otherwise identical.

Dodd Mead brought this federal action for damages and injunctive relief based on defendant's alleged piracy of their copyrighted work. In a decision dated July 14, 1980, I granted plaintiff's motion for a preliminary injunction restraining defendants from selling or printing copies of the MEP edition. See 495 F.Supp. 135 (S.D.N.Y. 1980) Plaintiff now moves for summary judgment to obtain a permanent injunction and to receive damages.

The issue of whether this court has subject matter jurisdiction to decide plaintiff's claim for copyright infringement has already been decided in the affirmative. See 495 F.Supp at 137. An enforceable copyright in a literary work vests initially in the author or authors of the work. 17 U.S.C. § 201(a). "Any of the exclusive rights comprised in a copyright," however, "may be transferred in whole or in part by any means of conveyance." 17 U.S.C. § 201(d). The owner of such a right may "institute an action for any infringement of that particular right while he or she is the owner of it." 17 U.S.C. § 501(b). In this case, by contract between the parties, Dodd Mead is the owner of the exclusive right to print, publish and sell the work. Therefore, Dodd Mead, the owner of the exclusive right, is entitled to the protections and remedies of the Copyright Act.

The possible breach of contract by Dodd Mead does not necessarily affect its rights of exclusive publication. The defendants' state court action seeking damages for breach of contract acts to affirm the assignment of publication rights rather than avoid it. See *Sylvania Industrial Corp. v. Lilienfeld's Estate*, 132 F.2d 887, 893 (4th Cir. 1943). Thus, this court has jurisdiction to determine whether Lilienthal infringed the exclusive publication rights which had been assigned to Dodd Mead.

Defendants make three principal arguments in opposition to plaintiff's summary judgment motion and in support of their cross-motion for summary judgment. First, defendants argue that according to the terms of the contract between the parties, plaintiff retained the right to buy books at a substantial discount from the publisher and to re-sell them without restriction. When the plaintiff allegedly breached this term of the contract by refusing to print further copies of the book, they were entitled, defendants assert, to "cover" by printing up their own copies. Second, defendants argue that Dodd Mead abandoned the copyright and therefore cannot enforce it. Finally, defendants assert that Lilienthal's first amendment right to disseminate his work to the public precludes Dodd Mead's claim for copyright infringement. For the reasons that follow, these arguments are unavailing.

Defendants contend that a letter signed by S. Phelps Platt, Jr., president of Dodd Mead, six days before the parties entered into the publishing agreement, sets forth the essential terms of the parties' agreement which Dodd Mead supposedly breached. This letter states that Lilienthal agreed to purchase an initial order of not less than 3,000 copies of the first printing at 47 percent off the published retail price. In addition, Dodd Mead agreed that Lilienthal would have the continuing right to purchase books at the same discount on orders of 1,000 or more, and to purchase smaller quantities at a lower discount. Lilienthal asserts that the letter contained no restrictions on resale of the books and that, in fact, Dodd Mead encouraged Lilienthal to go out and sell the book. Finally, Lilienthal claims that Dodd Mead's letter expressed the publisher's continuing obligation to promote the book to "the maximum extent." [Lilienthal Affidavit ¶ 16, p.9].

An important issue raised by this argument is whether the October 4 letter is in any way incorporated into the October 10, 1977 agreement be-

tween the parties. This issue, which must be resolved under New York law, need not be disposed of here because even if the letter did constitute the agreement between the parties. Dodd Mead's actions in alleged breach of the agreement did not justify Lilienthal's publication of the book.

Lilienthal argues that Dodd Mead failed to adequately promote the book and to adequately distribute copies to bookstores around the country. Starting in the spring of 1979, Lilienthal began receiving letters from the public indicating that his book was not available in bookstores. Then Lilienthal learned from his previous publisher that Dodd Mead did not intend to re-print the book. When Lilienthal requested an explanation by Dodd Mead, Dodd Mead stated in a letter dated September 18, 1979 that they did not intend to print more than the 12,500 copies of the book already printed until Lilienthal paid a \$42,359.77 debt owed to Dodd Mead. Lilienthal then replied by letter to Dodd Mead stating that he had paid approximately this amount into an escrow account pending his accountant's analysis of the debt.

In October, 1979, Dodd Mead printed an additional 2,000 copies of the book. Lilienthal claims to have had no knowledge of this printing, at least until after October 23, 1979 when Lilienthal signed a contract with another printer to print approximately 2,000 copies of the book.

[1] It is Lilienthal's contention that when Dodd Mead failed to publish the book at his request, he had the right to "cover" by substituting books printed at his own expense under the New York Uniform Commercial Code § 2-712.¹ Lilienthal, however, has failed to demonstrate any breach of the contract by Dodd Mead which triggered a right to cover. There is no indication that Dodd Mead failed to meet specific orders for books made by Lilienthal in accordance with the October 4 letter. Lilienthal's major grievance is that Dodd Mead was not printing enough books to keep up with the public's demand. If proven, this may or may not have constituted a breach of contract. Such a determination, however, will have to be made in the state court action. In any case, Dodd Mead's alleged failure to meet the public demand did not permit Lilienthal to publish his own copies in contravention of the contract between the parties. Lilienthal's obvious

¹N.Y.U.C.C. Law § 2-711 provides in part:

(1) Where the seller fails to make delivery or repudiates or the buyer rightfully rejects or justifiably revokes acceptance then with respect to any goods involved, . . . the buyer may cancel and . . . (a) "cover" . . .

N.Y.U.C.C. Law § 2-712 provides:

(1) After a breach within the preceding section the buyer may "cover" by making in good faith and without unreasonable delay any reasonable purchase of or contract to purchase goods in substitution for those due from the seller.

(2) The buyer may recover from the seller as damages the difference between the cost of cover and the contract price together with any incidental or consequential damages as hereinafter defined (Section 2-715), but less expenses saved in consequence of the seller's breach.

(3) Failure of the buyer to effect cover within this section does not bar him from any other remedy.

remedy under these circumstances was to follow the terms of the contract which at paragraph 17 provided:

If at any time during the continuance of this Agreement the work shall be out of print for six months in all editions, including reprints, whether under the imprint of the Publishers or another imprint, and if, after written notification from the Author, the Publishers shall fail to place the work in print within six months from the date of receipt of such notification, then this Agreement will terminate and all of the rights granted to the Publishers hereunder shall revert to the Author. The Author shall have the right for thirty days after such termination to purchase from Publishers all copies or sheets (if any) remaining at the cost of manufacture and the plates and engravings of illustrations (if in existence) at one-half their cost to the Publishers, including composition, all f.o.b. point of shipment.

Unfortunately, the record before me does not show that Lilienthal pursued this avenue. He cannot be permitted now to sue for damages on the contract and, at the same time, to breach the contract egregiously by printing his own copies.

[2,3] Defendants' argument that Dodd Mead abandoned its exclusive right under the copyright is also without merit. In order for the holder of a copyright to abandon his rights thereunder, he must perform some overt act which manifests an intent to surrender rights in the copyrighted material. *Lottie Joplin Thomas Trust v. Crown Publishers, Inc.*, 456 F.Supp. 531, 535 (S.D.N.Y.1977), *aff'd*, 592 F.2d 651 (2d Cir. 1978); *National Comics Publications, Inc. v. Fawcett Publications, Inc.* 191 F.2d 594, 598 (2d Cir. 1951); *see 3 Nimmer on Copyrights* § 13.06 (1978). Mere inaction or negative behavior will not suffice. *See Rohauer v. Killiam Shows, Inc.*, 379 F.Supp. 723, 730 (S.D.N.Y.1974), *rev'd on other grounds*, 551 F.2d 484 (2d Cir.), *cert. denied*, 431 U.S. 949, 97 S.Ct. 2666, 53 L.Ed.2d 266 (1977); *Marvin Worth Productions v. Superior Films Corp.*, 319 F.Supp. 1269, 1273 (S.D.N.Y. 1970).

Here, Dodd Mead never abandoned the copyright in Lilienthal's work. Between December, 1978 and October, 1979, Dodd Mead printed 14,500 copies and spent more than \$66,500 on its manufacturing and marketing. There is absolutely no evidence to suggest Dodd Mead intended to give up its exclusive rights in the book.

[4, 5] Finally, Lilienthal submits that his freedom of expression is being abridged, in violation of the first amendment, by Dodd Mead's enforcement of the copyright. The evidence proffered by Lilienthal, however, does not support this claim. There is no indication that he has been prevented from expressing his opinions. Ideas and opinions are not subject to copyright even though the specific form of expression may be. *Sid & Marty Krofft Television Productions, Inc. v. McDonald's Corp.*, 562 F.2d 1157, 1170 (9th Cir. 1977). Here, it is not Lilienthal's expression of a particular viewpoint to which Dodd Mead objects. Rather, the act complained of is the unauthorized reproduction and sale of a written work which Dodd Mead has acquired exclusive rights to distribute. There is no first amendment right on the part of Lilienthal to so egregiously breach an exclusive publication contract which he freely entered into.

Plaintiff's motion for summary judgment is therefore granted, and defendants' cross-motion for summary judgment is denied. The defendants are hereby permanently enjoined from publishing, selling, marketing or otherwise disposing of any copies of the book entitled *The Zionist Connection*. The case is referred to Magistrate Bernikow for an inquest to determine damages.

SO ORDERED.

EDEN TOYS, INC., Plaintiff, v. FLORELEE UNDERGARMENT CO., INC., Defendant

No. 80 Civ. 2242 (RLC)

(United States District Court, S. D. New York—November 25, 1981)

526 F.Supp. 1187. 217 USPQ 163

[See also 697 F.2d 27, 217 USPQ 201, 46 C.O.Bull. 466 (2d Cir.—*Reversed and remanded in part, affirmed in part*, Dec. 2, 1982)]

Holder of license to manufacture and sell products based on copyrighted character of "Paddington Bear" brought action for copyright infringement against adult shirt manufacturer. Both parties moved for summary judgment. The District Court, Robert L. Carter, J., held that (1) where license to manufacture and sell products based on the character was limited to children's toys and clothing but licensee issued sublicense for production of wrapping paper and other novelties for adult market, licensee lacked standing to sue adult clothing manufacturer for infringement based on derivative copyright of bear design on wrapping paper since licensee was not exclusive licensee of bear character, and (2) licensee was entitled to injunctive relief under Lanham Trade-Mark Act for adult shirt manufacturer's falsely claiming origin of the bear image on its shirts.

Order accordingly.

1. Copyrights and Intellectual Property

To bring copyright infringement action, plaintiff must be owner of copyright, its assignee, or exclusive licensee.

2. Copyrights and Intellectual Property

Nonexclusive licensee does not have standing to commence copyright infringement action.

3. Copyrights and Intellectual Property

Certificate of copyright registration ordinarily provides prima facie proof of validity and ownership of copyright; however, this presumption of validity may be rebutted by evidence demonstrating lack of originality or defects in copyright.

4. Copyrights and Intellectual Property

Where license to manufacture and sell products based on copyrighted character of "Paddington Bear" was limited to children's toys and clothing, licensee could not base standing to sue alleged infringer based on its derivative copyright in design on wrapping paper manufactured by sublicensee since licensee had overreached its express licensing authority in issuing sublicense or manufacturer of wrapping paper. 17 U.S.C.A. § 501 et seq.

5. Copyrights and Intellectual Property

For copyright on piece of work to be valid, work must contain some substantial, not merely trivial, originality.

6. Copyrights and Intellectual Property

When work derives from previously copyrighted design, new copyright is limited to original contribution to existing design.

7. Copyrights and Intellectual Property

Licensee authorized to manufacture and sell products based on copyrighted character of "Paddington Bear" could claim no copyrightable interest in image from its derivative copyright such that licensee could maintain action for copyright infringement where image in derivative copyright was changed only trivially from copyrighted designs.

8. Copyrights and Intellectual Property

Assignment of copyright, even if it conveys a right, title and interest will not be construed to assign existing causes of action unless expressly included.

9. Copyrights and Intellectual Property

Ownership of copyright rights for standing purposes is determined at time of infringement.

10. Copyrights and Intellectual Property

Where license to manufacture and sell products based on copyrighted character of "Paddington Bear" was limited to children's toys and clothing, licensee lacked standing to sue adult clothing manufacturer for infringement since licensee was not exclusive licensee of bear character. 17 U.S.C.A. § 501 et seq.

11. Trade Regulation

To seek injunctive relief under Lanham Trade-Mark Act, plaintiff need not be direct competitor of defendant; crucial question is whether prospective plaintiff has reasonable interest that requires protection from defendant's false representation. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

12. Trade Regulation

Holder of license to manufacture and sell products based on copyrighted character of "Paddington Bear" could maintain action under Lanham Trade-Mark Act against adult clothing manufacturer for falsely designating origin of image on adult shirts, even though license was limited to children's toys and clothing, where some of licensee's consumers participated in both children and adult markets and where licensee had interest worthy of being protected in maintaining clear consumer understanding of bear image and its association with its children's products. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

13. Trade Regulation

To qualify for injunctive relief under Lanham Trade-Mark Act, plaintiff need not establish actual deception as long as misleading description of designation has tendency to deceive or is likely to cause confusion. Lanham Trade-Mark Act, § 43(a). 15 U.S.C.A. § 1125(a).

14. Trade Regulation

Holder of license to manufacture and sell products based on copyrighted character of "Paddington Bear" was entitled to injunctive relief under Lanham Trade-Mark Act to prevent adult shirt manufacturer from falsely designating origin of bear image on its adult shirts since similarities between bear images appearing on shirt and licensee's images could induce consumers to purchase shirt to complement purchases of licensee's products. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

Stoll & Stoll, P. C., New York City, for plaintiff; Samuel J. Stoll, New York City, of counsel.

Lauritano & Schlacter, New York City for defendant; Jed R. Schlacter, New York City, of counsel.

OPINION

ROBERT L. CARTER, *District Judge*. This is an action for copyright infringement, 17 U.S.C. §§ 501 *et seq.*, and violation of the Lanham Act, 15 U.S.C. § 1125.¹ The plaintiff, Eden Toys, Inc. ("Eden"), and the defendant, Florelee Undergarment Co., Inc. ("Florelee"), each have moved for summary judgment. Although the evidence strongly supports the claim of infringement, the copyright action must be dismissed because Eden is not the proprietor of the rights that the defendant apparently has infringed. The plaintiff is awarded summary judgment on the Lanham Act action, however, because Florelee has marketed merchandise with a false designation of origin.

The litigation concerns the use of a fictional character, Paddington Bear, who was created as the protagonist of a series of children's books by Michael Bond. Paddington Bear is a young Peruvian bear who stows away aboard a ship and eventually takes up residence in England. The principal copyrights covering these books and the characters illustrated and named therein are owned by Paddington and Company (Films) Limited ("Paddington").

In 1975 Paddington granted Eden, in the United States and Canada, an exclusive license to manufacture and sell and to license others to manufacture and sell products based upon the Bond book characters. Under the agreement, Eden retains the copyright and trademark rights derived from those products that Eden or its licensees create, design, or market. The agreement states also that Eden has the right to sue, in its name or in Paddington's name, for infringement of any of the copyright registrations it receives from the commercial development of the Paddington Bear characters. *See* Defendant's Appendix of Exhibits to Its Cross-Motion for Summary Judgment, Exh. B (License Agreement between Paddington and Eden, Feb. 11, 1975) ("1975 Agreement").

Although the 1975 license was exclusive, it pertained only to a clearly delimited range of products. Among the Paddington Bear items that Eden could develop were stuffed animals, toys, games, and children's clothes, accessories, textiles and furniture. *See id.* at ¶ 1 and Schedules B, C. In disregard of these restrictions, Eden issued sublicenses for production of a variety of products not covered by its agreement with Paddington, including wrapping paper, draperies, Christmas ornaments, ceramic giftware, and textiles and needlecraft products for adult use. Apparently Paddington did not object to Eden's overstepping the bounds of their contract and renewed the license in 1979. In July, 1980, Paddington and Eden amended their agreement to expand the scope of the licensed products to

¹The parties dispute whether the 1976 revision of the copyright laws, Pub.L. 94-533, 90 Stat. 2584 (1976), applies to this action. This issue need not be decided, because even under the more liberal rules adopted in the amendments, the plaintiff would not have standing.

include all merchandise except books, tapes and records. Eden asserts that the defendant infringed a derivative copyright that Eden obtained under authority of the 1975 agreement.

The copyrighted artwork, a silkscreen print emblazoned on gift wrapping paper, was created by Eden's licensee, the C.R. Gibson Co. ("Gibson") and contained several images of Paddington bear repeated across the paper with the word "PADDINGTON" interspersed among them. The silkscreen was first published, with copyright notice, in January, 1978, and Eden applied for and received Copyright Registration No. VA 44-638 for the artwork in March, 1980. That registration is for a derivative copyright for artwork based on images of Paddington Bear found in the text and illustrations of the Michael Bond books. The registration leaves ambiguous the precise scope of Gibson's creative contribution to and, hence, of Eden's copyrightable interest in the artwork.

In November, 1979, the plaintiff discovered an adult women's shirt for sale that was manufactured by the defendant and imprinted with a picture of a bear identified by the name "Fred" and with the copyright notice. "© Fred original." The picture of the bear is identical in almost all aspects to one of the bear images created by Gibson for the gift paper that is copyrighted under Registration No. VA 44-638. The plaintiff notified the defendant of the apparent infringement and instituted this suit after discovering on the market in February, 1980, a second shirt with the same imprint.

[1, 2] To bring an infringement action, a plaintiff must be the owner of a copyright, its assignee, or an exclusive licensee. *See, e. g., Bertolino v. Italian Line*, 414 F.Supp. 279, 284 (S.D.N.Y.1976) (Cooper, J.); 3 *Nimmer on Copyright* § 12.02(1981). A non-exclusive licensee, however, does not have standing to commence an infringement action. *See, e. g., 3 Nimmer on Copyright* § 12.02.

[3] Eden's right to initiate this litigation depends, therefore, upon its showing that it is the owner or exclusive licensee of a valid copyright that allegedly the defendant has infringed. The certificate of registration ordinarily provides prima facie proof of validity and ownership of the copyright. *Novelty Textile Mills v. Joan Fabrics Inc.*, 558 F.2d 1090, 1092 (2d Cir. 1977); 17 U.S.C. § 410(c). This presumption of validity, however, may be rebutted by evidence demonstrating lack of originality or other defects in the copyright. *See Russ Berrie & Co., Inc. v. Jerry Elsner Co.*, 482 F.Supp. 980, 987-88 (S.D.N.Y.1980) (Haight, J.).

Eden contends that the image on the defendant's shirts is a direct copy of the artwork protected by Copyright Registration No. VA 44-638 and that as owner of that copyright, Eden has authority to sue for infringement. Even though Eden has obtained a copyright registration for the Gibson paper, that registration does not establish plaintiff's standing. The validity of the copyright is tarnished by Eden's forays into markets for

which it had not received a license from Paddington. Moreover, the copyright cannot protect the Paddington Bear image expropriated by the defendant because that image was copied by Gibson from a design created and copyrighted by I.S. Wood/Paddington. Finally, Eden lacks standing to enforce Paddington's copyright against the defendant because Eden was not an exclusive licensee for Paddington Bear products sold in the market in which the defendant sold its products.

Eden concedes that "[t]here is no question but that the underlying rights are owned by Paddington." Memorandum in Support of Plaintiff's Motion for Summary Judgment at 7. Eden has not sued, however, for infringement of the copyrights on the Bond book characters. Rather, its case rests on the alleged rights to the specific piece of art created by its licensee, Gibson, pursuant to a contract specifying that Eden would have title to all original artwork by Gibson.

[4] The initial lacuna in Eden's argument occurs at the point of Eden's claim that it had authority to make this contract with Gibson. Eden's license from Paddington, the agreement underlying the Eden-Gibson contract, grants to Eden "[l]egal title in and to all copyrights and trademarks derived from the creation, design and marketing of Licensed Products by Eden and its licensees[.]" 1975 Agreement ¶ 7. The gift wrapping paper that Eden licensed Gibson to develop is not a "Licensed Product" as that term is used in the 1975 Agreement. The paper is produced in "packaged individual sheets only for sale to retail consumers" in the adult market. Memorandum in Support of Plaintiff's Motion for Summary Judgment at 16. Eden's authority under the 1975 license, by contrast, is expressly limited to the creation of toys, clothes, accessories and other similar items for the juvenile market.

Eden acknowledges that it overreached its express licensing authority in several transactions concerning its sublicensing of Paddington Bear novelties. Richard Miller, Eden's president, admitted that "licenses had been granted by Eden that were not precisely within the schedule of items to be granted." Deposition of Richard Miller 69. The plaintiff contends, however, that Paddington ratified these extra-contractual actions informally during the life of the 1975 agreement and formally in the 1980 amendment.

Eden's argument that it had *de facto* authority to disregard the plain terms of its contract with Paddington is unpersuasive. As the 1980 amendment makes clear, Eden could have sought to revise the license any time that it desired to expand the scope of its Paddington Bear marketing activities. That no such expansion was memorialized until 1980 undercuts rather than supports Edens contention that it had the right to operate in the adult gift and novelty market despite the narrow scope of the 1975 agreement. Eden's contract with Gibson apparently violated the 1975 authorization and placed Eden in the position of an infringer. Even if Pad-

dington has chosen to ignore this transgression, serious doubt remains concerning the validity of a copyright based upon such infringement.

[5, 6] The court need not determine the status of Copyright No. VA 44-638, however, because even if Eden had authority to produce and copyright the gift paper, the copyright could not encompass the Paddington Bear image that the defendant applied to its shirts. For a copyright on a piece of work to be valid, the work must contain "some substantial, not merely trivial originality. . . ." *Chamberlin v. Uris Sales Corp.*, 150 F.2d 512, 513 (2d Cir. 1945) When the work derives from a previously copyrighted design, the new copyright is limited to the original contribution to the existing design. *See, e.g., L. Batlin & Sons, Inc. v. Snyder*, 536 F.2d 486, 489-91 (2d Cir. 1976); *Russell v. Price*, 448 F.Supp. 303, 305 (C.D.Cal.1977); 1 *Nimmer on Copyright*, § 3.03 (1981). The silkscreen artwork that Eden registered under Copyright No. VA 44-638 is based upon the Bond book Paddington Bear characters. At most, therefore, Eden's copyright could protect only Eden's or Gibson's novel additions to the prior works. The images on the gift paper, however, are strikingly similar in aesthetic appeal to published and copyrighted Paddington Bears. *See* Defendant's Appendix of Exhibits to Its Cross-Motion for Summary Judgement, Exh. G (reproductions of Paddington Bear drawings copyrighted by I.S. Wood/Paddington).

[7] Gibson apparently focused its creative efforts on the layout of the bears and the display of the word "PADDINGTON" on the paper. The individual Paddington Bear images on, the other hand, were changed only trivially from the copyrighted designs that Eden supplied to Gibson.² The scrutinizing eye can, of course, detect a few differences. The Gibson version has smoother lines and shows no fingers or toes. These changes, however, would not convey to the ordinary observer aesthetic appeal different from that experienced from prior expressions of Paddington Bear. *See Peter Pan Fabrics, Inc. v. Martin Weiner Corp.*, 274 F.2d 487, 489 (2d Cir. 1960). Gibson expressed Paddington Bear essentially unchanged from his prior manifestations. The image on the gift paper has the same rain hat, overcoat, and valise and the same bewildered look as previously published images of Paddington Bear. Eden could claim no copyrightable interest in that image standing alone. To the extent that the defendant did copy a portrait of Paddington Bear, that portrait was conceived prior to Gibson's designs and expressed in publications copyrighted by Paddington.

[8, 9] Nor can Eden claim a cause of action based on its position as exclusive licensee for the underlying Paddington Bear image developed by Wood and others. If Floreelee had copied the bear onto children's clothing

²One of the bears on the gift paper does appear to be an original Gibson design. Eden has not accused Floreelee of copying that design and the originality of that image does not entitle Eden to copyright the other bears that are clear copies of prior Paddington publications.

or other articles that Eden was licensed to produce, then Eden would be a proper party to this lawsuit.³ The allegedly infringing garments, however, are of adult sizes sold in adult markets.⁴ Eden had no license to compete in that arena and can claim no legitimate losses due to Florelee's improper sales. Even accepting *arguendo* that Paddington ratified Eden's unilateral expansion of the 1975 agreement, this would not propel Eden into the status of *exclusive* licensee that is necessary to give Eden standing to sue for infringement.

Eden asserts also that the 1975 agreement permits it to sue for infringement if Paddington takes no legal action to protect Eden or its licensees from competition from infringers. See 1975 Agreement ¶ 9. While not passing on the validity of that provision, it must be noted that Eden's rights under this paragraph are limited to protection from infringement of rights licensed under the 1975 agreement. As has been stated, that agreement expressly limits Eden's interests to the sale of goods in children's markets only. Eden's theory that the 1980 amendment conveyed the right to sue for infringements of licensing rights that Eden usurped for itself between 1975 and 1979 is meritless. Although courts have allowed the contractual transfer of accrued causes of action to accompany the assignment of a copyright, the 1980 amendment provides no indication that Paddington intended such a transfer. See *Prather v. Neva Paperbacks*, 410 F.2d 698 (5th Cir. 1969). An assignment of a copyright, even if it conveys "all right title and interest," will not be construed to assign existing causes of action unless expressly included.⁵ 3 *Nimmer on Copyright* § 12.02.

To the extent that Florelee's sales eroded Eden's profits, the 1975 agreement provides Eden with the means to seek a remedy for its losses directly from Paddington, through a reduction in royalty payments. Instead of

³The question of whether under these circumstances Eden could bring the action alone or would be required to join Paddington would depend upon whether the 1976 revision of the copyright law applied to this action. See 3 *Nimmer on Copyright* § 12.02 (1981). Although exclusive licensees could sue for infringement under the Copyright Act of 1909, as amended in 1947, 61 Stat. 652 (1947), the owner of the copyright had to be joined as an indispensable party. See, e.g., *First Financial Marketing Services Group, Inc. v. Field Promotions*, 286 F.Supp. 295, 298-99 (S.D.N.Y.1968) (Pollack, J.) 3 *Nimmer on Copyright* § 12.02 (1981).

⁴Although labeled a different size, the smallest articles of clothing manufactured for the adult market are actually the same size as the largest articles prepared for the children's market. Eden contends this overlap renders the defendant an infringer of Eden's exclusive license to vend in the children's market. Even if Florelee's customers purchased clothing to give to children, these sales would not infringe Eden's license. Regardless of their purpose, these customers were seeking adult sized clothes in adult stores and Eden had no right to sell to them under those circumstances. Eden's theory would prohibit entirely Paddington from licensing another manufacturer, such as Florelee, to sell adult clothing in small sizes.

⁵Because the defendant apparently ceased distribution of the offending shirts before Paddington and Eden amended the license in 1980, Eden would not have a cause of action based on that amended agreement. Ownership of copyright rights for standing purposes is determined at the time of infringement. See 3 *Nimmer on Copyright* § 12.02 (1981).

pursuing this contractual remedy and thereby forcing Paddington, the true party in interest, to come forward and assert the claims it desires to make, Eden is asking the court to rewrite the agreements that Paddington and Eden executed. Eden cannot evade the requirement that the copyright proprietor or its exclusive licensee appear in court to press its own claims. Only by having present the owner of the interest asserted can the court be certain that the party seeking damages is the party who was injured and that the defendant will not face multiple suits. The court cannot rewrite Eden's agreements with Paddington to place Eden in the position of exclusive licensee for 1975 to 1979.

[10] Because at the time of the alleged infringement, Eden was not the exclusive licensee of the rights that the defendant apparently infringed, the cause of action for copyright infringement must be dismissed.⁶

[11] The plaintiff also moves for summary judgment on its claim that Floreelee violated § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), by affixing the copyright notice "© Fred original" to Floreelee's shirts. The Lanham Act confers standing on "any person who believes that he is or is likely to be damaged" by another's use of a "false designation of origin" on merchandise entering into commerce. 15 U.S.C. § 1125(a). The Act thus contemplates "a broad class of suitors," *L'Aiglon Apparel, Inc. v. Lana Lobell, Inc.*, 214 F.2d 649, 651 (3d Cir. 1954), in contrast to the strict standing requirements applied to copyright actions. To seek injunctive relief under § 43(a), a plaintiff need not be a direct competitor of the defendant. *Rare Earth, Inc. v. Hoorelbeke*, 401 F.Supp. 26, 39 (S.D.N.Y.1975) (Cannella, J.); *National Lampoon, Inc. v. American Broadcasting Co., Inc.*, 376 F.Supp. 733, 746 (S.D.N.Y.) (Brieant, J.), *aff'd*, 497 F.2d 1343 (2d Cir. 1974) (per curiam); 1 *R. Callmann, Unfair Competition, Trademarks, and Monopolies* § 18.2(b) (3d ed. 1967). The crucial question is whether the prospective plaintiff has a reasonable interest that requires protection from the defendant's false representations. See *Rare Earth, Inc. v. Hoorelbeke*, *supra*, 401 F.Supp. at 39.

[12] Eden clearly satisfies these requirements. Even though it does not compete in the same markets as the defendant, some of the same consumers certainly participate in both markets. Persons viewing the copyright notice and claim of originality on the Floreelee Fred shirts are likely to be confused as to the origin of the bear image on those shirts and the similar Paddington Bear image found on Eden's products. Eden has an interest, worthy of being protected, in maintaining clear consumer understanding of the Paddington Bear image and its association with Eden's toys, games and other children's products.

⁶Although the defendant has styled its motion as one for summary judgment, the defendant requested judgment in the form of a dismissal. Therefore the motion will be treated as one for dismissal or, in the alternative, summary judgment.

There is no doubt about the falsity of Florelee's copyright notice. The defendant claims, through its copyright notice, that the design on its shirts is an original, copyrighted creation of an entity named "Fred." The image, however, is neither original nor copyrightable.⁷ This deception can mislead consumers into believing that the clothing they purchased is a unique novelty instead of a common copy. Moreover, aficionados of Paddington Bear can easily mistake the defendant's shirts for those of the plaintiff. The similarities of the bears appearing on the garments may induce persons to think that "Fred" is a new character from the Paddington Bear series and to purchase the defendant's merchandise to complement their other Paddington Bear possessions.

[13, 14] The Lanham Act protects consumers from the purveyors of such misinformation. To qualify for injunctive relief, a plaintiff need not establish actual deception as long as the misleading description of designation has a tendency to deceive or is likely to cause confusion. *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 467 F.Supp. 366, 374 (S.D.N.Y.) (Griesa, J.), *aff'd*, 604 F.2d 200 (2d Cir. 1979). The plaintiff having satisfied this burden, Florelee will be enjoined from any further use of the "Fred original" copyright notice in conjunction with the purloined Paddington Bear image.⁸

In addition to injunctive relief, Eden seeks damages from Florelee under the Lanham Act. Although the court doubts that Eden can prove that it suffered any actual damage from the defendant's actions, Eden may pursue the matter through a magistrate. The plaintiff should remember, however, that it is not entitled to the entire amount of Florelee's sales. Rather, the defendant is liable to Eden for only those sales, if any, that the defendant diverted from Eden's market.

IT IS SO ORDERED.

⁷Eden contends further that "Fred" of "Fred original" is a fictitious entity. Florelee contests this allegation in its Rule 3(g) statement. Because the copyright notice is misleading regardless of the existence of "Fred," summary judgment can be awarded despite this controversy.

⁸Even though the defendant alleges to have terminated its distribution of the offending clothing, nothing at present prevents a repetition of its deception. "Mere voluntary cessation of allegedly illegal conduct does not moot a case. . . ." *United States v. Concentrated Phosphate Export Association*, 393 U.S. 199, 203, 89 S.Ct. 361, 364, 21 L.Ed.2d 344 (1968). The court is satisfied that there is some cognizable danger of recurrent violation and therefore finds that the Lanham Act action is not moot. *See United States v. W.T. Grant Company*, 345 U.S. 629, 633, 73 S.Ct. 894, 897, 97 L.Ed. 1303 (1953).

F. E. L. PUBLICATIONS, LTD., a corporation, Plaintiff, v. **CATHOLIC BISHOP OF CHICAGO,** a corporation, Defendant

No. 76 C 3471

(United States District Court, N. D. Illinois, E. D. — January 9, 1981)

506 F.Supp. 1127. 210 USPQ 403

[See also 199 USPQ 85, 42 C.O.Bull. 238 (N.D. Ill., Apr. 28, 1978); *F.E.L. Publications, Ltd., v. National Conference of Catholic Bishops*, 466 F.Supp. 1034, 200 USPQ 301, 42 C.O.Bull. 242 (N.D. Ill., Oct. 5, 1978); *F.E.L. Publications, Ltd. v. Catholic Bishop of Chicago*, 214 USPQ 409, 46 C.O.Bull. 528 (7th Cir.—*Reversed*, Mar. 25, 1982); *Catholic Bishop of Chicago v. F.E.L. Publications, Ltd.*, 459 U.S. 859, 103 S.Ct. 131, 74 L.Ed.2d 113 (U.S. Sup. Ct. — *Certiorari denied*, Oct. 4, 1982)]

Copyright holder of liturgical hymnals and songbooks brought action alleging that Catholic Bishop of Chicago had infringed copyrights by publishing, distributing and selling songbooks including his songs which were copied largely from plaintiff's aforesaid copyrighted work and also invoked pendent jurisdiction of court and made unfair competition claims based on law of Illinois. The District Court, Leighton, J., held that: (1) singing of hymns in Catholic mass or other religious service was a not-for-profit performance and, accordingly, copyright protection on various hymns did not extend to such a performance and a purported license offered by holder of copyright was an attempt to extend its copyright monopoly in manner not authorized by copyright laws; (2) furthermore, offering of license covering all hymns on which copyrights were held, both the 25 or 30 most popular hymns and hundreds of others, amounted to an illegal tying arrangement; and (3) holder of copyright could not enforce that copyright against Catholic Bishop of Chicago.

Suit dismissed.

1. Copyrights and Intellectual Property

For purposes of determining whether rights under copyright are infringed by performance for profit, it is not payment of money that determines whether performance is for profit; it is nature of performance. 17 U.S.C. (1976 Ed.) § 1(e); 17 U.S. C.A. § 104.

2. Copyrights and Intellectual Property

The singing of hymns in a Catholic mass or other religious service is a not-for-profit performance and, accordingly, copyright protection on various hymns did not extend to such a performance and a purported license offered by holder of copyright was an attempt to extend its copyright monopoly in a manner not authorized by the copyright laws. 17 U.S.C. (1976 Ed.) § 1(e); 17 U.S.C.A. § 104.

3. Copyrights and Intellectual Property

A copyright owner, like a patentee, may not increase scope of monopoly afforded by the copyright through a license agreement with a licensee. 17 U.S.C. (1976 Ed.) § 1(e); 17 U.S.C.A. § 104.

4. Monopolies

A blanket license is not per se unlawful under antitrust laws where it is granted by nonexclusive agents of copyright owners, and an acceptable mechanism for at least part of the market is available to those who want to purchase the right to perform copyrighted musical compositions. Sherman Anti-Trust Act, § 1 et seq., 15 U.S.C.A. § 1 et seq.; Clayton Act, § 1 et seq., 15 U.S.C.A. § 12 et seq.

5. Monopolies

Blanket license is not violation of antitrust laws in absence of evidence that its existence restrains competition among owners of copyrights to musical selections. Sherman Anti-Trust Act, § 1 et seq., 15 U.S.C.A. § 1 et seq.; Clayton Act, § 1 et seq.

6. Monopolies

Tying arrangement whereby a party agrees to sell one product but only on condition that buyer also agrees to purchase a different or tied product is prohibited by the Sherman Act, and by the Clayton Act. Sherman Anti-Trust Act, § 1 et seq., 15 U.S.C.A. § 12 et seq.; Clayton Acts § 1 et seq., 15 U.S.C.A. § 1 et seq.

7. Monopolies

Offering of license covering all hymns on which copyrights were held, thus the 25 or 30 most popular hymns and hundreds of others, amounted to illegal tying arrangement which was illegal per se under the Sherman Act. Sherman Anti-Trust Act, § 1 et seq., 15 U.S.C.A. § 1 et seq.

8. Equity

Court of equity will not aid a wrong-doer.

9. Equity.

Doctrine of unclean hands is not limited to suits in equity; general principle it expresses is equally suited to damages actions.

10. Estoppel

Equitable estoppel applies both in law and in equity to deny a party the right to plead or prove an otherwise important fact in case.

11. Equity

In court-tried case, reason for invoking the "unclean hands" doctrine to bar an equitable claim applies with equal force to a claim at law for damages.

12. Copyrights and Intellectual Property

A copyright owner, like a patentee, who comes into a court of equity seeking relief from alleged infringements is not entitled to recover unless he can show that the misuse in which he has engaged has been purged.

13. Monopolies

Where holder of copyright on liturgical hymnals and songbooks had attempted to extend copyright monopoly in manner not authorized by copyright laws through licensing scheme and had, furthermore, been involved in illegal tying arrangement through offering of license covering all of hymns on which copyrights were held, holder of copyright could not enforce copyrights against Catholic Bishop of Chicago.

14. Federal Courts

Pendent jurisdiction is doctrine of discretion, not of plaintiff's right, and its justification lies in considerations of judicial economy, convenience and fairness to litigants; if these are

not present, a federal court should hesitate to exercise jurisdiction over state claims even though bound to apply state law to them.

15. Trade Regulation

Holder of copyrights on liturgical hymnals and songbooks who made claim that Catholic archbishop of Chicago wrote letter to his parishes and to all Catholic institutions under his jurisdiction, directing them to remove from their premises the alleged infringing homemade hymnals, together with all of plaintiff's copyrighted works, and that such interfered with contractual relations plaintiff enjoyed through sale of its program to number of Catholic parishes which had done business with plaintiff failed to state cause of action, under Illinois law, for interference with prospective economic advantage and unfair competition.

Charles A. Laff, Larry L. Saret, Laff, Whitesel & Rockman, Chicago, Ill., for plaintiff.

Valentine A. Weber, David W. Maher, James Serritella, Reuben & Proctor, Chicago, Ill., for defendant.

MEMORANDUM

LEIGHTON, *District Judge*.

I

The plaintiff F. E. L. Publications, Ltd., allegedly owns 21 copyrights to liturgical hymnals and songbooks, each containing large amounts of materials said to be wholly original either with plaintiff or its assignor, one Dennis Fitzpatrick. In a second amended and supplemental complaint, it alleges in 21 counts that defendant, the Catholic Bishop of Chicago, himself or his agents and employees, have infringed these copyrights "by publishing, distributing and/or selling in this district songbooks including songs which were copied largely from plaintiff's aforesaid copyrighted work, and/or by allowing others to publish, distribute and sell songbooks on property owned, controlled, and supervised by the Catholic Bishop [sic]."¹ Then, in three additional counts plaintiff invokes the pendent jurisdiction of this court and makes claims which in substance are based on the laws of Illinois.

Defendant has answered, denied all material allegations of the complaint; and has pled 19 affirmative defenses, two of which, the 8th and 11th, assert the claim that plaintiff has misused its copyright monopoly. The historical and material facts which give rise to the controversy between the parties, including the defense of copyright misuse, are not in dispute.

¹The Catholic Bishop of Chicago is the juridical entity for the Roman Catholic Archdiocese of Chicago. He is a corporation sole under a special act of the Illinois legislature, *Private Laws of Illinois*, 22nd General Assembly, p. 78 (1861). He is also a natural person; and for this reason, in this memorandum he will be referred to as such as by personal pronouns.

H

In December 1961, Pope John XXIII convoked the Second Vatican Council. Such councils function to formulate law, practice, and doctrine for the Roman Catholic Church. The purpose of the council was to make those church observances which are open to changes more responsive to the requirements of modern times.

In late 1963, Second Vatican promulgated the *Sacred Constitution on the Liturgy*. Liturgy is the body of rites prescribed for public worship in the Roman Catholic Church. The *Sacred Constitution* changed Catholic liturgy in two respects. First, it provided that religious services may be conducted in the vernacular. Prior to this, Roman Catholic religious services were conducted in Latin. Second, it compelled encouragement of active participation by the congregation in the religious service. In this country and in others, this allowed a congregation to sing Psalms and hymns during the mass, in English. Prior to Second Vatican, Roman Catholic religious services were conducted almost exclusively by the priest, and if songs were sung at all, this was done only by the choir, and in Latin. The changes made by Second Vatican caused a period of adjustment within the parishes of all American archdioceses.

The *Sacred Constitution* also encouraged development of liturgical music in the vernacular, citing the need to provide an opportunity for the entire assembly of the faithful to actively participate. From this need a new market arose, a market for Catholic liturgy music in the English language. The Church, in an effort to maintain its independent identity, did not consider existing English hymns of the Protestant reform appropriate for use in Catholic religious activities.

Pursuant to the dictates of Second Vatican, administrative coordinating commissions were created to implement the new reforms. An example of this is the Liturgy Commission of the Archdiocese of Chicago. Founded in 1964, its role was to keep abreast of developments in liturgy and communicate them to the parishes. Currently this function is served by the Liturgy Advisory Board, which advises the Director of the Office of Divine Worship and the Cardinal of the Archdiocese on the liturgical needs and concerns of the parishes.

The Liturgy Commission of the Archdiocese of Chicago determined that liturgy teams should be formed in the parishes to implement Second Vatican reforms. These teams typically included the parish priest and representatives of the laity. Before Second Vatican, the priest was the sole minister at a service of the Catholic Church. After Second Vatican reforms, other members of the congregation actively participated in the administration of communion and were allowed in the sanctuary during mass. The form of religious services was changed in order to expand the participation from the traditional roles of priest and choir, to include all

those present. The effort was to allow the congregation to celebrate the mass, and in its own language.

These developments led to a search by Catholic parishes for music and prayer which conveyed the message of the Church in contemporary terms. Plaintiff, formerly known as Church Publications, Ltd., is one among many companies which began publishing English language hymnals suitable for this use. Its founder, composer, and president, Dennis J. Fitzpatrick, entered this business with *Hymnal for Young Christians* in 1966. Subsequently, he obtained copyrights to several other works, some the subject of this suit, which he assigned to the plaintiff.

All of the plaintiff's hymnals and songbooks concerning which it brings this suit are compilations or collective works. A number of them contain the substance of Catholic liturgy that were originally composed during the early years of the Roman Catholic Church. Some of the songs have an origin that has been lost in antiquity. Included in the hymnals are traditional historical religious songs which have long been in the public domain, some of which have been set to a different melody by a large number of composers who, plaintiff alleges, were its employees. Those works which are in the public domain are grouped with original works by plaintiff's authors and composers and for which no royalties from licensing revenues are paid. The materials in the public domain included in plaintiff's copyrighted works are distinguished in its accounting books by the notation "P.D." Many of the songs included in plaintiff's hymnals and songbooks are themselves not protected by any copyright. The right to use songs composed by other authors is obtained by plaintiff through exclusive assignment to it of the right to license their use in return for payment of royalty, and by exclusive assignment to it of copyrights obtained by other authors and composers, again with the right to license use of the copyrighted works.

Prior to 1972, plaintiff occasionally authorized Catholic parishes, religious organizations, and publishers to copy its music at two cents per copy, per song. In November of that year, it initiated a new marketing procedure which it called an "Annual Copy License", hereafter referred to as ACL. This marketing technique was in response to plaintiff's heightened awareness of unauthorized copying of its musical works. At the time it announced the ACL, plaintiff offered three methods by which a customer could obtain the benefit of its copyrighted works.

One allowed the prospective purchaser to accept the provisions in its ACL and pay \$100 per year for the "right to make unlimited numbers of copies from F. E. L.'s printed page or from user's own original master copy." The right was to terminate one year after the ACL was purchased. Further, the purchaser was granted "the right to perform the music and/or

text at not-for-profit performances for purpose of worship and/or classroom use [sic].”

The second was a “[o]ne time usage plan” which, for 2¢ per copy per song, with a minimum charge of \$10, allowed the customer to purchase the right to use any song of his choice. After the one use, at a wedding or funeral, the copies had to be destroyed.

The third and last allowed the customer to buy copies of plaintiff’s hymnals and songbooks, regardless of whether the customer desired permanent copies of all or only a few selections.

The terms of the ACL incorporated a master title index that listed the 1400 songs owned by plaintiff, together with the names of the composers. The church that wanted to use one of plaintiff’s listed songs could not deal directly with any of the authors or composers whose musical works or copyrights had been exclusively assigned to the plaintiff. The ACL as a type of marketing was not, and still is not employed by any other publisher of religious music in this country; plaintiff acknowledges that this marketing method was a pioneering effort in the field of religious music licensing. Its ACL differs from traditional marketing of music in that it does not distinguish between songs, but charges a lump sum for which the licensee receives copying and use rights to all of plaintiff’s 1400 available compositions, even though the purchaser may desire to use only a few of the more popular songs. It also differs from usual marketing practices in that it relies heavily on the licensee to patrol his own use. On the anniversary of the license, the customer has to destroy all copies he has made of the virtually unlimited number allowed, unless he decides to pay plaintiff another \$100 for an additional year of the ACL. The effect is that the copies are the property of the buyer only as long as he is able, or allowed, to continue buying the right annually. Plaintiff has sought to enforce its ACL, allowing past violators to redeem themselves by remitting a proportionate monthly fee multiplied by the duration of the claimed infraction.

Defendant’s archdiocese contains 447 parishes. Of these, between 22 and 30 had purchased plaintiff’s ACL at the time the complaint in this case was filed. Nine had paid plaintiff for prior copying releases; and in 149 there had never had been any copying of plaintiff’s songs or music. In 122 of them, if there had been any copying, this had occurred more than three years before plaintiff filed its suit in this case, but homemade hymnals had been distributed at masses and church services after 1973. There were insertions in these hymnals of some of the more popular of plaintiff’s copyrighted songs in the other of defendant’s parishes. The copying was apparently done by priests and laymen of these parishes. All of the copying, and their use by distribution to parishioners, were only for the purpose of enabling members of the congregation to participate by singing in

a Catholic mass, a not-for-profit religious service. No sale was ever made of any of plaintiff's copied songbooks or musical works.²

III

Based on these facts, supported by affidavits, excerpts from depositions, and exhibits, defendant has moved for summary judgment on his affirmative defenses that plaintiff has misused its copyright monopoly, comes to this court with unclean hands, and is thus not entitled to any relief on its claim of copyright infringement. Defendant argues that the Copyright Act of 1909 did not give plaintiff the right to license the not-for-profit singing of hymns at a mass or other religious service; and in imposing on Catholic parishes its ACL, plaintiff has misused its alleged statutory monopoly on the right to copy by compelling churches to pay for not-for-profit performances which involve the singing of religious songs. Further, defendant contends that plaintiff's ACL policy misuses its copyright monopoly by tying the purchase of all its religious compositions (its least popular ones), to its most popular or "blockbuster" songs.

Plaintiff opposes defendant's motion for summary judgment, arguing that it asserts only a broad, vague defense of copyright misuse; and that defendant's theories merely express his dislike for the way plaintiff does business but do not provide a defense to copyright infringement. As to the theory that plaintiff has illegally extended its copyrights by licensing not-for-profit performances of songs at religious services, plaintiff contends this is not relevant and thus need not be considered because the claim of infringement by performance has not been asserted in this case. Against defendant's theory that the ACL is an illegal tying arrangement in violation of the antitrust laws, plaintiff argues that this contention has been considered and rejected in the context of blanket copyright licenses in *Columbia Broadcasting System, Inc. v. American Soc. of Composers*, 400 F.Supp. 737 (S.D.N.Y.1975), *rev'd*, 562 F.2d 130 (2d Cir. 1977), *rev'd*, *Broadcast Music, Inc. v. Columbia Broadcasting System, Inc.*, 441 U.S. 1,

²In each of the 21 counts of its second amended and supplemental complaint, plaintiff alleges that there were sales of "songbooks . . . copied largely from [its] aforesaid copyrighted work." However, defendant has supported his motion for summary judgment with affidavits which show that despite one instance of a mimeographed book containing a price tag of \$5, no sale has ever been made of a songbook copied from plaintiff's copyrighted works. Plaintiff does not contradict these affidavits; therefore, plaintiff relies only on its allegations concerning sales.

It is well established that an adverse party may not rest on the allegations of his pleadings when a motion for summary judgment is made. *Macklin v. Butler*, 553 F.2d 525 (7th Cir. 1977); *cf. Weit v. Continental Illinois Nat. Bank and Trust Co. of Chicago*, 467 F.Supp. 197 (N.D.Ill. 1978); Fed.R.Civ.P. 56(e). Accordingly, this court concludes that neither defendant nor any of his agents or employees have ever sold a songbook copied from plaintiff's copyrighted works.

99 S.Ct. 1551, 60 L.Ed.2d 1 (1979); *on remand*, *Columbia Broadcasting System, Inc. v. American Soc. of Composers, Authors and Publishers*, 607 F.2d 543 (2d Cir. 1979) and 620 F.Supp. 930 (2d Cir. 1980).

Thus the issue presented is whether plaintiff's ACL is a misuse of its copyright monopoly to hymnals and musical works described in this lawsuit and bars it from recovery for the copyright infringement alleged. Resolution of this issue requires this court to determine (1) whether plaintiff's ACL was a means by which it sought to license the not-for-profit performance of religious songs for worship, and unlawful extension of plaintiff's copyright monopoly; and (2) whether plaintiff's ACL is a tying contract *per se* illegal under the Sherman Act.

IV

A. *Is plaintiff's ACL a means by which it sought to license the not-for-profit performance of religious songs for worship and thus an unlawful extension of its copyright monopoly?*

In November 1972 when plaintiff's ACL policy was announced, its founding composer and president, Dennis J. Fitzpatrick, knew, and as a consequence so did plaintiff, that there were people in Catholic parishes who made either Xeroxed or typewritten hymnals from songs in copyrighted hymnals, but only for the purpose of enabling a congregation to participate in the mass or other religious service. Of course, to the extent this was done to plaintiff's musical works, this could have been held to be copyright infringement under the Copyright Act of 1909.³ *Wihtol v. Crow*, 309 F.2d 777 (8th Cir. 1962). As the market for Catholic liturgical music developed, Fitzpatrick also knew, as did plaintiff, that there was, for one reason or another, the copying from published musical works in American Catholic parishes. In fact, his November 1972 letter addressed to "Dear Worship Leader", and sent to Catholic churches throughout the country, discussed the general problem of hymnal copying and announced that "[f]or a one time annual payment of \$98.76 [later raised to \$100] you may copy in any form you choose, in any quantity you wish, with unlimited usage during the year, any music and/or text; in any arrangement, accompaniment or edition; printed, published and copyrighted by F. E. L. Publications, Ltd."

³In its second amended and supplemental complaint, plaintiff alleges that "[a]ll references to the Copyright laws refer to the 1909 Copyright Act in effect at the time this suit was filed, not to the 1976 Copyright Act which became effective on January 1, 1978." In its answer, defendant appears to agree with this view. In fact, plaintiff's position is supported by the cases. See *Walt Disney Productions v. Air Pirates*, 581 F.2d 751 (9th Cir. 1978) *cert. denied*, *O'Neill v. Walt Disney Productions*, 439 U.S. 1132, 99 S.Ct. 1054, 59 L.Ed.2d 94 (1979); *cf. Davies v. Bowes*, 209 F. 53 (D.C.N.Y.1913), *aff'd*, 219 F. 178 (2d Cir. 1914).

The license was intended to grant a "specific church and/or school, or institution, or local chapter of an organization, . . ." referred to as the "User", the right to copy any music or text copyrighted by the plaintiff. It defined the "additional rights of user" in Article 4 and provided that "User" could "perform the music and/or text at not-for-profit performances for purposes of worship . . ." In Article 5, the license provided a ministry exception by which the "[u]ser agrees to confine use of the copies to users' premises . . ." identified as the church or other place of worship named on the license.

The provisions of the license were carefully drawn to preclude any sale of copies made of any music or text owned by the plaintiff. F. E. L. told its licensees that "[s]eparate charges and licenses are required to permit copies to be sold to the congregation or others when allowed by F. E. L." The user further agreed "not to sell, lend, or otherwise dispose of the copies to any church, school, entity or person other than those persons in the service of users (agents) and necessary to permit user to carry out the uses licensed herein."

Fitzpatrick knew, and so did plaintiff, that Catholic parish priests and those who worked with them, did not engage in the business of copying songs into hymnals for the purpose of sales. Therefore, plaintiff is charged with the knowledge that the only use to which copied hymnals are put in a Catholic parish is the singing from them by a congregation in a mass or other religious service, all not-for-profit performances.

The exclusive rights as to copyrighted works given a copyright owner by Section 1(e) of the Copyright Act of 1909 includes performances of "the copyright work publicly for profit if it be a musical composition; and for the purpose of public performance for profit, and for the purposes set forth in subsection (a) hereof, to make any arrangement or setting of it or of the melody of it in any system of notation or any form of record in which the thought of an author may be recorded and from which it be read or reproduced. . . ." Courts which have construed this section have uniformly held "that the monopoly given the copyright owner is only to perform his work 'for profit' ".⁴ *Associated Music Publishers, Inc. v. Debs Memorial Radio Fund, Inc.*, 141 F.2d 852, 854 (2nd Cir. 1944), *cert. denied*, *Debs Memorial Radio Fund v. Associated Music Publishers*, 323 U.S. 766, 65 S.Ct. 120, 89 L.Ed. 613 (1944); *cf. Buck v. Hillsgrove County Club, Inc.*, 17 F. Supp. 643 (D.C.R.I. 1937); *Gay v. Robbins Music Corporation*, Supp., 38 N.Y.S.2d 337 (1942); and *see Andur, Copyright Law and Practice*, 405-406 (1956).

[1] This, however, does not mean that money has to be collected at the door of the place where the copyrighted music is performed. In *Herbert v.*

⁴The purposes set forth in Subsection (a) of Section 1, Copyright Act of 1909, are to give any person complying with the copyright laws the exclusive right "[t]o print, reprint, publish, copy, and vend the copyrighted work." 17 U.S.C. § 1(a).

Shanley Co., 242 U.S. 591, 37 S.Ct. 232, 61 L.Ed. 511 (1917), the Supreme Court had before it two cases in which copyrighted musical works were performed in a restaurant and a hotel dining room for the entertainment of patrons who did not pay to hear the music. The courts below had ruled that these performances did not infringe the copyrights. However, speaking for the court Mr. Justice Holmes said, 242 U.S. 591 at 594-595, 37 S.Ct. at 233:

"If the rights under the copyright are infringed only by a performance where money is taken at the door, they are very imperfectly protected. Performances not different in kind from those of the defendants could be given that might compete with and even destroy the success of the monopoly that the law intends the plaintiffs to have. It is enough to say that there is no need to construe the statute so narrowly. The defendants' performances are not eleemosynary. They are part of a total for which the public pays, and the fact that the price of the whole is attributed to a particular item which those present are expected to order is not important."

Therefore, it is not the payment of money that determines whether a performance is for profit; it is the nature of the performance. *Cf Robert Stigwood Group, Ltd. v. O'Reilly*, 346 F.Supp. 376 (D.C.Conn.1972), *rev'd* 530 F.2d 1096 (2d Cir. 1976), *cert. denied*, *O'Reilly v. Robert Stigwood Group, Ltd.*, 429 U.S. 848, 97 S.Ct. 135, 50 L.Ed.2d 121 (1976). See Annot. 23 A.L.R.Fed. 974.

From this principle, it can be deduced that aside from the question whether the occasion is public, the singing of hymns in a Catholic mass or other religious service is a not-for-profit performance. See *Wihtol v. Crow*, 199 F.Supp. 682, 685 (S.D.Iowa 1961), *rev'd on other grounds* 309 F.2d 777 (8th Cir. 1962); *cf.* 17 U.S.C. § 104 *repealed by* P.L. 94-553, October 19, 1976. But the copyright monopoly which the owner of a copyright to a musical composition enjoys is only the right to exclude others from performing the composition "in public for profit . . ." 17 U.S.C. § 1(e). In other words, the copyright laws have always distinguished the performance of musical and nondramatic literary works for profit from those performances which are not-for-profit. Nimmer, in discussing the underlying rationale for this distinction, one that is found in the Copyright Act of 1909, tells us:

"It was thought that to prohibit unlicensed nonprofit performances of musical and nondramatic literary works in such places as schools and churches would constitute an undue restrictions on the benefits which should be available to the public." 2 *Nimmer on Copyrights* § 8.15[A] at 8-144 (1980).

[2, 3] In this case, the only use to which a licensee under plaintiff's ACL could put copied music was the "not-for-profit performances [of the musical works] for purposes of worship. . . ." This fact becomes clear when the Destruction Clause, Article 8 of the ACL is considered. It is there required that the "User . . . destroy all copies licensed herein and to

notify F. E. L. . . . within ten days after the expiration of this license. . . . that copies were destroyed." This being the case, the conclusion is inescapable that plaintiff's ACL is simply a means by which it licensed the not-for-profit religious performances of its copyrighted works; it is an extension of its copyright monopoly not authorized by the copyright laws. See *M. Witmark & Sons v. Jensen*, 80 F.Supp 843 (D.Minn.1948), *app. dismissed*, *M. Witmark & Sons v. Berger Amusement Co.*, 177 F.2d 515 (8th Cir. 1949). A copyright owner, like a patentee, may not increase the scope of the monopoly afforded by the copyright through a license agreement with a licensee. *Krampe v. Ideal Industries, Inc.*, 347 F.Supp. 1384, 1386 (N.D.Ill.1972).

B. *Is plaintiff's ACL a tying contract illegal per se under the Sherman Act?*

[4, 5] Despite plaintiff's originality as a publisher of religious music, its ACL is a blanket license. See *Columbia Broadcasting System, Inc. v. American Society of Composers*, 400 F.Supp. 737, 743 (S.D.N.Y. 1975), *rev'd on other grounds* 562 F.2d 130 (2d Cir. 1977), *rev'd*, *Broadcast Music, Inc. v. Columbia Broadcasting System, Inc.*, 441 U.S. 1, 99, S.Ct. 1551, 60 L.Ed.2d 1 (1979), *on remand*, *Columbia Broadcasting System, Inc. v. American Soc. of Composers, Authors and Publishers*, 607 F.2d 543 (2d Cir. 1979) and 620 F.Supp. 930 (2d Cir. 1980). A blanket license, as plaintiff insists, is not *per se* unlawful under the antitrust laws where it is granted by nonexclusive agents of copyright owners, and an acceptable mechanism for at least a part of the market is available to those who want to purchase the right to perform copyrighted musical compositions. *Broadcast Music, Inc. v. Columbia Broadcasting System Inc.*, 441 U.S. 1, 22, 99 S.Ct. 1551, 1564, 60 L.Ed.2d 1 (1979). Nor is such a license, under the law of reason, a violation of the antitrust laws in the absence of evidence that its existence restrains competition among owners of copyrights to musical selections. *Columbia Broadcasting System, Inc. v. American Society of Composers*, 620 F.2d 930, 939 (2d Cir. 1980). In *Columbia Broadcasting System, Inc. v. American Society of Composers*, 400 F.Supp. 737, 781 (S.D.N.Y.1975) *rev'd on other grounds* 562 F.2d 130 (2d Cir. 1977), *rev'd*, *Broadcast Music, Inc. v. Columbia Broadcasting System, Inc.*, 441 U.S. 1, 99 S.Ct. 1551, 60 L.Ed.2d 1 (1979), *on remand* *Columbia Broadcasting System, Inc. v. American Soc. of Composers, Authors and Publishers*, 607 F.2d 543 (2d Cir. 1979) and 620 F.Supp. 930 (2d Cir. 1980), the district court held that the case before it involved a blanket license and was essentially one of tie-in or block booking which required proof of coercion to establish illegality under the antitrust laws; but issuance of a blanket license under provisions of consent decrees which allowed direct licensing from individual owners of copyrights saved the scheme from being coercive and, hence illegal.

Here, however, by obtaining assignments of the songs with the right, on behalf of the composers, to license their use for an annual fee, and by ob-

taining assignment of copyrights for the same purpose, plaintiff either absolutely controls or has ownership power over copyrights to hymnals, songbooks, and the 1400 religious songs listed in its master title index. A Catholic church or parish that wants to purchase the right to copy and use a song either in one of plaintiff's hymnals, songbooks, or those listed in its master title index, cannot deal directly with owners of the copyrighted works listed by plaintiff. In most instances, a church or parish does not desire permission to use all of plaintiff's listed songs; there is no interest in all of the songs in plaintiff's hymnals, songbooks, and listed in the master index. The most desired are about 25 or 30 of the more popular or "blockbuster" songs. Yet, plaintiff's policy has always been "all or nothing"; the church or parish desiring to purchase the right to copy and use some of the listed songs has to pay for permission to use all of them. The songs are different; in many instances, the composers are different, yet purchase of the right to use the more popular has been tied by the plaintiff to the purchase of all, including the less popular.

[6] It is now well known that a tying arrangement whereby a party agrees to sell one product but only on condition that the buyer also agrees to purchase a different or tied product is prohibited by the Sherman Act, and by the Clayton Act. See *Siegel v. Chicken Delight, Inc.*, 448 F.2d 43 (9th Cir. 1971), *cert. denied*, 405 U.S. 955, 92 S.Ct. 1172, 31 L.Ed.2d 232 (1972); cf. *Tire Sales Corp. v. Cities Service Oil Co.*, 410 F.Supp 1222, 1227 (N.D.Ill.1976). In the field of copyrighted feature motion pictures, a subject matter analogous to the licensing of copyrighted music, the Supreme Court has held that block booking, that is, tying the sale of wanted motion picture films to a package containing one or more unwanted or inferior films, is a violation of the Sherman Act. *United States v. Loew's, Inc.*, 371 U.S. 38, 49, 83 S.Ct. 97, 104, 9 L.Ed.2d 11 (1962). Earlier, in *United States v. Paramount Pictures*, 334 U.S. 131, 159, 68 S.Ct. 915, 929, 92 L.Ed. 1260 (1948), the Court in an opinion by Mr. Justice Douglas, held categorically that it was illegal under the Sherman Act for a licensor to refuse to license one or more copyrights unless another copyright is accepted. Said Mr. Justice Douglas, 131 U.S. at 158, 68 S.Ct. at 929:

Where a high quality film greatly desired is licensed only if an inferior one is taken, the latter borrows quality from the former and strengthens its monopoly by drawing on the other. The practice tends to equalize rather than differentiate the reward for the individual copyrights. Even when the films included in the package are of equal quality, the requirement that all be taken if one is desired increased the market for some. Each stands not on its own footing but in whole or in part on the appeal which another film may have.

[7] This statement, made concerning different motion picture films, is equally applicable to the different copyrighted songs on plaintiff's master title index. The right to copy and perform the high quality, or so-called

“blockbuster” songs on plaintiff’s list which Catholic parishes and churches desired could be obtained by them only if the inferior ones were taken; thus the latter group of songs borrowed quality from the former and strengthened its monopoly by drawing on the other. This being so, it must be concluded that plaintiff’s ACL involving copyrights is a tying contract which is illegal *per se* under the Sherman Act. *Cf. Alden-Rochelle, Inc. v. American Soc. of C. A. and P.*, 80 F.Supp. 888 (S.D.N.Y.1948); see Annot., *Antitrust-Tying Arrangement*, 46 A.L.R.Fed. 516.

V

A copyright, like a patent, is a statutory grant of monopoly privileges. *Broadcast Music, Inc. v. Columbia System, Inc.*, 441 U.S. 1, 29, 99 S.Ct. 1551, 1567, 60 L.Ed.2d 1 (1979) (Stevens, J., dissenting; concurring on this point). Being a statutory grant, the rights are only such as the statute confers, and may be enjoyed only on the terms and conditions which it specifies. See *Loew’s, Inc. v. Columbia Broadcasting System, Inc.*, 131 F.Supp. 165, 173 (S.D.Cal. 1955), *aff’d*, *Benny v. Loew’s Inc.*, 239 F.2d 532 (9th Cir. 1956), *aff’d*, *Columbia Broadcasting System, Inc. v. Loew’s, Inc.*, 356 U.S. 43, 78 S.Ct. 667, 2 L.Ed.2d 583 (1958); 18 C.J.S. Copyright and Literary Property § 18. And as one eminent authority has pointed out, “The Copyright Act accords to each copyright owner a limited form of monopoly. An attempt to extend the scope of this monopoly will, under certain circumstances, result in violation of the antitrust laws. . . . Apart from the issue of antitrust violation . . . courts will on occasion invoke the equitable doctrine of unclean hands [a concept which includes copyright misuse] as a defense in a copyright infringement action . . . whether [it] is one of law or in equity.” 3 *Nimmer on Copyrights* § 13.09[A][B]. The policy underlying the misuse doctrine is designed to prevent a patentee [and a copyright owner as well] from projecting the economic effect of his admittedly valid grant beyond the limits of his legal monopoly. *Panther Pumps & Equipment Co. v. Hydrocraft, Inc.*, 468 F.2d 225, 231 (7th Cir. 1972) *cert. denied*, *Hydrocraft, Inc. v. Panther Pumps & Equipment Co.*, 411 U.S. 965, 93 S.Ct. 2143, 36 L.Ed.2d 685 (1973); *cf. M. Witmark & Sons v. Jensen*, 80 F.Supp. 843 (D.Minn.1948), *app. dism’d*, *M. Witmark & Sons v. Berger Amusement Co.*, 177 F.2d 515 (8th Cir. 1949); *United States v. United States Gypsum Company*, 124 F.Supp. 573, 594 (D.C.D.C.1954); see *Morton Salt Co. v. G.S. Suppiger Co.*, 314 U.S. 488, 493, 62 S.Ct. 402, 405, 86 L.Ed. 363 (1942) *reh. denied*, 315 U.S. 826, 62 S.Ct. 620, 86 L.Ed 1222.

In the case at bar, this court has determined that through the terms of the ACL, plaintiff extended the monopoly privileges of its copyrights by licensing not-for-profit performances of copyrighted religious music for worship. This the plaintiff could not do. See *Cable Vision, Inc. v. KUTV*,

Inc., 335 F.2d 348, 351 (9th Cir. 1964), *cert. denied*, *Klix Corp. v. CableVision, Inc.*, 379 U.S. 989, 89 S.Ct. 700, 13 L.Ed.2d 609 (1965). The court has also determined that plaintiff's ACL is a tying contact which is *per se* illegal under the Sherman Act. *United States v. Loew's, Inc.*, 371 U.S. 38, 83 S.Ct. 97, 9 L.Ed.2d 11 (1962); *United States v. Paramount Pictures*, 334 U.S. 131, 68 S.Ct. 915, 92 L.Ed. 1260 (1948). Thus, the undisputable facts show that plaintiff, through the policy represented by its ACL, has misused its copyright monopoly in the hymnals and the listed religious musical works described in this lawsuit. It continues to do so; in fact, it has expanded the utilization of this licensing policy.⁵

[8] Insofar as plaintiff seeks injunctive relief, its suit is one invoking the equity jurisdiction of this court. *Tempo Music, Inc. v. Myers*, 407 F.2d 503, 507 n.8 (4th Cir. 1969). But a court of equity will not aid a wrongdoer, a rule having its origin in the maxim that "one seeking equity must do equity and must show 'clean hands' at the threshold." *Udall v. Littell*, 366 F.2d 668, 675 (D.C.Cir.1966), *cert. denied*, *Littell v. Udall*, 386 U.S. 939, 87 S.Ct. 713, 17 L.Ed.2d 545 (1967). Only recently, Judge Bua of this court pointed out that a court of equity is prevented by the doctrine of unclean hands from granting relief to a wrongdoing plaintiff. He said, "Thus a court may deny equitable relief if the applicant has been guilty of misconduct, fraud or bad faith toward the party against whom relief is sought in connection with the transaction under consideration." *Great Western Cities, Inc. v. Binstein*, 476 F.Supp. 827, 832 (N.D.Ill.1979), *aff'd* 614 F.2d 775 (7th Cir. 1979).

[9-11] The doctrine of unclean hands is not limited to suits in equity; the general principle it expresses is equally suited to damage actions. *Kuehnert v. Texstar Corp.*, 412 F.2d 700 (5th Cir. 1969). Equitable estoppel applies both in law and in equity to deny a party the right to plead or prove an otherwise important fact in this case, the alleged acts of copyright infringement because of something plaintiff has done or has omitted to do. *Tempo Music, Inc. v. Myers*, 407 F.2d 503, 507 (4th Cir. 1969); 18 Am.Jur.2d, Copyright and Literary Property §§ 26, 27; *Nimmer on Copyrights* § 13.09[B]. In a court-tried case, the reason for invoking the "unclean hands" doctrine to bar an equitable claim applies with equal

⁵For example, in 1977 plaintiff joined several of its competitors in forming The Copyright Sharing Corporation. The three corporate officers of the newly created corporation are the same as F.E.L.'s. The licensing arrangement which is offered by the new corporation is identical with plaintiff's ACL. The object of the conglomeration is to establish an ASCAP type of organization for print licensing of religious songs and hymnals. Unlike ASCAP, this organization would not allow alternative sources of the material vended, as compelled by the consent decrees described in *Broadcast Music, Inc. v. Columbia Broadcasting System, Inc.*, 441 U.S. 1, 10-12, 99 S.Ct. 1551, 1557, 60 L.Ed.2d 1 (1979), *on remand*, *Columbia Broadcasting System, Inc. v. American Soc. of Composers, Authors and Publishers*, 607 F.2d 543 (2d Cir. 1979) and 620 F.Supp. 930 (2d Cir. 1980).

force to a claim at law for damages. *Urecal Corporation v. Masters*, 413 F.Supp. 873, 876 (N.D.Ill.1976).

[12, 13] Accordingly, these principles of law and equity require that defendant's motion for summary judgment on his copyright misuse defense be granted as to plaintiff's first 21 counts alleging copyright infringement. A copyright owner, like a patentee, who comes into a court of equity seeking relief from alleged infringements is not entitled to recover unless he can show that the misuse in which he has engaged has been purged. *Cf. Berlenbach v. Anderson Thompson Ski Co.*, 329 F.2d 782 (9th Cir. 1964), *cert. denied*, 379 U.S. 830, 85 S.Ct. 60, 13 L.Ed.2d 39 (1964); *Krampe v. Ideal Industries, Inc.*, 347 F.Supp. 1384 (N.D.Ill.1972); *Duplan Corp. v. Deering Milliken, Inc.*, 444 F.Supp. 648 (D.S.C.1977) *aff'd in part*, 594 F.2d 979 (4th Cir. 1979), *cert. denied*, *Ateliers Roannais de Constructions Textiles v. Duplan Corp.*, 444 U.S. 1015, 100 S.Ct 666, 62 L.Ed.2d 645 (1980). This does not nullify the copyrights; it merely prevents enforcement of them against the defendant in this case. *See Kearney & Trecker Corp. v. Cincinnati Milacron, Inc.*, 562 F.2d 365, 371 (6th Cir. 1977); *cf. In re Yarn Processing Patent Validity Litigation*, 472 F.Supp. 180 (S.D.Fla.1979).

VI

Having decided on the disposition by dismissal of the 21 counts which allege copyright infringement, there remain three counts in which plaintiff alleges claims against defendant under the laws of Illinois. Count 22 seeks relief of conduct which defendant committed during pretrial proceedings in this case. It appears that in September 1976 the parties, in open court, agreed to the collection of all the homemade hymnals which plaintiff claims infringed its copyrights. These, according to the plaintiff, were to be delivered to its attorneys. Plaintiff alleges that defendant, as the Catholic Archbishop of Chicago, wrote a letter to his parishes, and to all Catholic institutions under his jurisdiction, directing them to remove from their premises the alleged infringing home-made hymnals, together with all of plaintiff's copyrighted works. This action, plaintiff alleges, interfered with the contractual relations it enjoyed through the sale of its ACL, to a number of Catholic parishes which had done business with the plaintiff. According to the plaintiff, this conduct constituted interference with prospective economic advantage and was unfair competition, in violation of the common law of Illinois.

Defendant answers this count, admitting that on September 30, 1976 there were proceedings in this court in which the parties agreed that all of the alleged infringing home-made hymnals would be collected. He insists, however, that plaintiff has misread what was said by counsel and has misinterpreted the agreement of the parties. He admits having circulated

the letters alleged by the plaintiff; but denies they give rise to the claims being made.

Count 23 seeks to allege a claim of false description or representation as to defendant's goods; that is, the home-made hymnals. It is alleged that defendant has failed to place any copyright notice, acknowledgment of author or composer, the name of the copyright owner, or any indication of reprint permission from the plaintiff in the infringing hymnals. This conduct, plaintiff alleges, constitutes a false designation of origin and a false description or representation of defendant's goods within the meaning of Title 15 U.S.C. § 1125(a). This statute provides that:

"Any person who shall affix, apply, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce, and any person who shall with knowledge of the falsity of such designation or origin or description or representation cause or procure the same to be transported or used in commerce or deliver the same to any carrier to be transported or used, shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin or in the region in which the locality is situated, or by any person who believes that he is or is likely to be damaged by the use of such false description or representation."

The affidavits, excerpts from depositions, and exhibits furnished the court by the parties in this summary judgment proceeding show that none of defendant's agents or employees affixed, applied, annexed, or used any false designation of origin on the home-made hymnals.⁶ Also, the statute on which plaintiff relies requires that the goods or services to which a false designation of origin is affixed, applied, annexed, or used "enter into commerce." See *Scotch Whiskey Ass'n. v. Barton Distilling Co.*, 489 F.2d 809 (7th Cir. 1973). The facts in this case, as they have been flushed out by discovery, show that all of the home-made hymnals were used in the singing of mass and conduct of religious services within defendant's parishes, all in the state of Illinois.

Count 24, the last one, alleges facts asserting a claim for unfair competition under Illinois law. Plaintiff states that it has expended large amounts of time and money in creating and protecting its copyrighted works; that it has always offered and continues to offer its ACL to churches, schools, and other institutions in defendant's parishes, for a reasonable royalty. Plaintiff asserts that defendant has sought to avoid payment of royalties and compliance with the licensing program initiated by it through the

⁶In fact, the evidentiary materials submitted in support of the motions for summary judgment clearly shows plaintiff will not be able to prove that defendant, personally, as the Catholic Bishop of Chicago, did any of the things about which complaint is made. At most, plaintiff may be able to show that in some of defendant's parishes, priests, and laymen copied some of plaintiff's songs in making the home-made hymnals.

ACL. In this way, alleges the plaintiff, it has been damaged by defendant's "deceptive trade practices, unfair competition and misappropriation in this district in violation of common law of the state of Illinois." Defendant has answered and denied the material allegations of these counts.

[14, 15] For adjudication of the claims made, plaintiff invokes the pendent jurisdiction of this court, and relies on 28 U.S.C. § 1338(b) which provides that "[t]he district court shall have original jurisdiction of any civil action asserting a claim of unfair competition when joined with a substantial and related claim under the copyright . . . laws." However, pendent jurisdiction is a doctrine of discretion, not of plaintiff's right, and its justification lies in considerations of judicial economy, convenience and fairness to litigants; if these are not present, a federal court should hesitate to exercise jurisdiction over state claims even though bound to apply state law to them. *Nevills v. State of Illinois*, 388 F.Supp. 622 (E.D.Ill.1974). This court is satisfied that plaintiff has not asserted a claim of unfair competition joined with a substantial and related claim under the copyright laws; and since all of plaintiff's claims for copyright infringement must be dismissed on grant of defendant's motion for summary judgment sustaining the copyright misuse defense, pendent jurisdiction will not be exercised. See *United Mine Workers v. Gibbs*, 383 U.S. 715, 726, 86 S.Ct. 1130, 1139, 16 L.Ed.2d 218 (1966); *Palmer v. Ticcione*, 576 F.2d 459 (2d Cir. 1978), *cert. denied*, 440 U.S. 945, 99 S.Ct. 1421, 59 L.Ed.2d 633 (1979). Accordingly, a judgment order pursuant to Fed.R. Civ.Proc. rule 58, 28 U.S.C., will be entered granting defendant's summary judgment motion and dismissing plaintiff's suit in its entirety.

SO ORDERED.

FACTORS ETC., INC. and Boxcar Enterprises, Inc., Plaintiffs-Appellees, v. PRO ARTS, INC. and Stop and Shop Companies, Inc., Defendants-Appellants

No. 503, Docket 80-7692

(United States Court of Appeals, Second Circuit—Argued December 15, 1980—Decided June 29, 1981)

652 F.2d 278. 211 USPQ 1

[See also *Factors Etc., Inc., v. Creative Card Co.*, 444 F.Supp. 279, 41 C.O.Bull. 242 (S.D.N.Y., Oct 12, 1977); *Factors Etc., Inc. v. Pro Arts*,

Inc., 444 F.Supp. 288, 41 C.O.Bull. 256 (S.D.N.Y., Oct 13, 1977); *Memphis Development Foundation v. Factors Etc., Inc.*, 441 F.Supp. 1323, 41 C.O.Bull. 574 (W.D. Tenn., Dec. 5, 1977); *Factors Etc., Inc. v. Pro Arts, Inc.*, 579 F.2d 215, 205 USPQ 751, 42 C.O.Bull. 258 (2d Cir.—*Affirmed; remanded for further proceedings*, June 27, 1978); *Memphis Development Foundation v. Factors Etc., Inc.*, 578 F.2d 1381 (6th Cir.—*Affirmed without published opinion*, June 29, 1978); *Pro Arts, Inc. v. Factors Etc., Inc.*, 440 U.S. 908, 99 S.Ct. 1215, 59 L.Ed.2d 455 (U.S. Sup. Ct.—*Certiorari denied*, Feb. 21, 1979); *Memphis Development Foundation v. Factors Etc., Inc.*, 616 F.2d 956, 205 USPQ 784, 44 C.O.Bull. 656 (6th Cir.—*Reversed and remanded*, Mar. 6, 1980); *Factors Etc., Inc. v. Pro Arts, Inc.*, 496 F.Supp. 1090, 208 USPQ 529, 44 C.O.Bull. 388 (S.D.N.Y., July 29, 1980); *Factors Etc., Inc. v. Memphis Development Foundation*, 449 U.S. 953, 101 S.Ct. 358, 66 L.Ed.2d 217 (U.S. Sup. Ct.—*Certiorari denied*, Nov. 3, 1980); *Estate of Presley v. Russen*, 513 F.Supp. 1339, 211 USPQ 415, and *infra* (D.N.J., Apr. 16, 1981); *Factors Etc., Inc. v. Pro Arts, Inc.*, 456 U.S. 927, 102 S.Ct. 1973, 72 L.Ed.2d 442 (U.S. Sup. Ct.—*Certiorari denied*, Apr. 19, 1982); 541 F.Supp. 231, 46 C.O.Bull. 542 (S.D.N.Y., May 11, 1982); 701 F.2d 11, 47 C.O.Bull.____ (2d Cir.—*Motion to recall mandate and petition for rehearing denied*, Jan. 12, 1983); 562 F.Supp. 304, 47 C.O.Bull.____ (S.D.N.Y., Apr. 14, 1983)]

Tennessee corporation which had been formed by Elvis Presley and Delaware corporation which had been granted a license to use Presley's name and likeness after his death sought a preliminary injunction restraining Ohio corporation's infringement of the alleged exclusive right to merchandise the name and image of Elvis Presley. The United States District Court for the Southern District of New York, 444 F.Supp. 288, granted the preliminary injunction. The Court of Appeals, 579 F.2d 215, affirmed and remanded. On remand, the United States District Court for the Southern District of New York, 496 F.Supp. 1090, Charles H. Tenney, J., permanently enjoined Ohio corporation from making any commercial use of the name or likeness of Elvis Presley, and appeal was taken. The Court of Appeals, Newman, Circuit Judge, held that the decision by the Court of Appeals for the Sixth Circuit in *Memphis Development Foundation v. Factors Etc., Inc.*, that Presley's right of publicity did not survive his death would be accepted as controlling authority, and thus after Presley's death, Tennessee corporation had no right of publicity in Presley's name and likeness to convey to Delaware corporation.

Reversed.

Mansfield, Circuit Judge, dissented and filed opinion.

1. Federal Courts

Tennessee law was applicable in diversity action in determining whether corporation formed by Elvis Presley had exclusive right to merchandise his name and likeness after his death where Tennessee was where Presley was domiciled, corporation was incorporated, and license agreement whereby Delaware corporation was granted exclusive license to use Presley's name and likeness in connection with the manufacture and sale of any kind of merchandise was made and where such agreement specifically provided that it was to be construed in accordance with Tennessee law. 28 U.S. C.A. § 1332.

2. Courts

Where Court of Appeals of a particular circuit has essayed its prediction of the course of state law on a question of first impression within a state within the circuit, federal courts of other circuits should defer to that holding, at least in all situations except when it can be said with conviction that the pertinent Court of Appeals had disregarded clear signals emanating from state's highest court pointing toward a different rule.

3. Courts

Decision by Court of Appeals for the Sixth Circuit in *Memphis Development Foundation v. Factors Etc., Inc.*, that under Tennessee law, Elvis Presley's right of publicity did not survive his death was accepted as controlling authority in action brought by Tennessee corporation which had been formed by Presley and Delaware corporation which had been granted license to use Presley's name and likeness by Tennessee corporation against Ohio corporation which published a poster displaying a photograph of Presley, and thus Tennessee corporation had no right of publicity in Presley's name and likeness to convey to Delaware corporation.

William J. Davis, New York City (Charlotte A. W. Pfahl, Alice B. Newman and Schulman Berlin & Davis, P.C., New York City, on the brief), for appellants.

Michael C. Silberberg, New York City (Donald F. Schneider and Golenbock & Barell, New York City, Arthur Fields and Ervin, Cohen & Jessup, Beverly Hills, Cal., on the brief), for appellees.

Before MANSFIELD and NEWMAN, Circuit Judges, and CARTER,* District Judge.

NEWMAN, *Circuit Judge*. The merits of this appeal concern the interesting state law question whether a person has a protected interest in publicizing his name and likeness after this death, or, as the matter has been put, is there a descendible right of publicity?¹ Despite the fascination of this question, what divides the members of this panel and forms the basis for the majority's disposition of this appeal is the more esoteric question, apparently of first impression, concerning the deference a federal court exercising diversity jurisdiction should give to a ruling by a court of appeals deciding the law of a state within its circuit. Believing that conclusive deference should be given, except in certain situations not applicable here, we reverse the judgement of this case.

*The Honorable Robert L. Carter of the United States District Court for the Southern District of New York, sitting by designation.

¹See Felcher & Rubin, Comment, *The Descendibility of the Right of Publicity: Is There Commercial Life After Death*, 89 Yale L.J. 1125 (1980); Felcher & Rubin, *Privacy, Publicity and the Portrayal of Real People by the Media*, 88 Yale L.J. 1577 (1979); Nimmer, *The Right of Publicity*, 19 Law & Contemp. Prob. 203 (1954); Comment, *Transfer of the Right of Publicity: Dracula's Progeny and Privacy's Stepchild*, 22 U.C.L.A. L. Rev. 1103 (1975); Note, *Lugosi v. Universal Pictures: Descent of the Right of Publicity*, 29 Hastings L.J. 751 (1978).

FACTS

The facts are set forth in this Court's first encounter with this litigation, *Factors Etc., Inc., v. Pro Arts, Inc.*, 579 F.2d 215 (2d Cir. 1978), *cert. denied*, 440 U.S. 908, 99 S.Ct. 1215, 59 L.Ed.2d 455 (1979) (*Factors I*), and need be recounted only briefly here. During his life, Elvis Presley, the well-known popular singer, formed a Tennessee corporation, Boxcar Enterprises, Inc., and assigned it exclusive ownership of all rights to use for commercial purposes his name and likeness.² On August 18, 1977, two days after Presley's death, Boxcar granted to plaintiff-appellee Factors Etc., Inc., a Delaware corporation, an exclusive license for 18 months, renewable at the licensee's option for up to four years, to use Presley's name and likeness in connection with the manufacture and sale of any kind of merchandise. The licensee agreed to pay a royalty of 5% of sales, subject to a minimum royalty for the first 18 months of \$150,000, and also subject to certain minimum royalties on specific items, for example \$.08 for each poster.

On August 19, 1977, defendant-appellant Pro Arts, Inc., an Ohio corporation, published a poster displaying a photograph of Presley and the dates 1935-1977. Pro Arts had purchased the copyright in the photograph from the newspaper photographer who had taken it. Pro Arts marketed the poster through various retailers, including co-defendant-appellant Stop and Shop Companies, Inc., which sold the poster through its Bradlee Stores Division in the Southern District of New York. After communication between Boxcar, Factors, and Pro Arts, Factors brought this suit in the Southern District of New York and obtained a preliminary injunction restraining defendants from manufacturing, selling, or distributing the Presley poster and from making any commercial use of Presley's name or likeness. *Factors Etc., Inc. v. Pro Arts, Inc.*, 444 F.Supp. 288 (S.D.N.Y. 1977). We affirmed that injunction in *Factors I*.

Contemporaneously with the initiation of this suit, Factors found itself in litigation on another front. The Memphis Development Foundation, an organization formed in Memphis, Tennessee, to construct a bronze statue of Presley in downtown Memphis, sued Factors in the District Court for the Western District of Tennessee to prevent Factors from interfering with the Foundation's efforts to raise funds by selling eight-inch pewter replicas of the proposed Presley statue priced at \$25. Factors counterclaimed for an injunction to restrain the Foundation's distribution of the statuettes and secured a preliminary injunction, *Memphis Development Foundation v. Factors, Etc., Inc.*, 441 F.Supp. 1323 (W.D. Tenn.1977). *aff'd*, 578 F.2d 1381 (6th Cir. 1978) (table). On motion for summary judgment in the

²The circumstances surrounding the assignment of rights to Boxcar, a matter of some confusion, happily not of concern to this appeal, are discussed in *Factors Etc., Inc., v. Creative Card Co.*, 444 F.Supp. 279 (S.D.N.Y.1977).

Tennessee litigation, Factors obtained a permanent injunction in the District Court. However, the Sixth Circuit reversed, holding that Presley's right of publicity did not survive his death. *Memphis Development Foundation v. Factors Etc., Inc.*, 616 F.2d 956 (6th Cir.), cert. denied, ____ U.S. ____, 101 S.Ct. 358, 66 L.Ed.2d 217 (1980).

Thereafter Factors moved for summary judgment in the New York litigation. Appellants (hereafter collectively "Pro Arts") brought to the District Court's attention the Sixth Circuit's reversal in *Memphis Development*, contending that *Memphis Development* collaterally estopped Factors from asserting that it possessed any exclusive publicity rights to the name and likeness of Presley after his death. Implicitly rejecting this contention, the District Court (Charles H. Tenney, Judge) granted Factors' motion and issued a permanent injunction, from which this appeal has been taken. 496 F.Supp.1090 (S.D.N.Y.1980).

DISCUSSION

The District Court, exercising its diversity jurisdiction, 28 U.S.C. § 1332 (1976), was obliged to apply the substantive law of the state to which the forum state, New York, would have turned had the suit been filed in state court. *Klaxon Co. v. Stentor Electric Manufacturing Co.*, 313 U.S. 487, 61 S.Ct. 1020, 85 L.Ed. 1477 (1941). Curiously, the choice of law issue had received no attention from the parties in this litigation prior to the Sixth Circuit's reversal in *Memphis Development*. Perhaps assuming that the law governing this infringement action was the law of the place of the wrong, as appellees now explicitly contend on this appeal, the parties did not refer to choice of law rules on the prior appeal, and this Court, without discussion, simply observed that the issue of the duration of the right of publicity is "one of the state law, more specifically the law of the State of New York." 579 F.2d at 220. That choice of law ruling, made in the course of affirming the preliminary injunction, does not preclude our reexamination of the point on this appeal from a final adjudication of the case, see *Diversified Mortgage Investors v. U.S. Life Title Insurance Co.*, 544 F.2d 571 576 (2d Cir. 1976), especially now that the parties have put the choice of law issue in dispute.³

³Factors contends that Pro Arts is raising the choice of law issue for the first time on appeal, thereby foreclosing Factors from an opportunity to develop in the trial court a factual record demonstrating significant New York contacts. See *DuBreuil v. Stevenson*, 369 F.2d 690 (5th Cir. 1966). However, Pro Arts did call the District Court's attention to the pertinency of Tennessee law on the issue of the existence of a publicity right after Presley's death. (June 19, 1980 tr. 23-24). The point was made in urging that Factors was collaterally estopped to assert possession of a publicity right by the *Memphis Development* decision, an issue we need not resolve in view of our disposition of the appeal. Moreover, it is difficult to imagine what New York contacts Factors could possibly marshal to support a claim that a New York court would apply New York law in deciding the nature of the right acquired by Factors pursuant to the Boxcar-Factors contract.

[1] Factors not only contends that New York law is applicable as the law of the place of the wrong, citing *Cousins v. Instrument Flyers, Inc.*, 44 N.Y.2d 698, 699, 405 N.Y.S.2d 441, 442, 376 N.E.2d 914 (1978), but also asserts that even if a "significant contacts" test were applied, see *Babcock v. Jackson*, 12 N.Y.2d 473, 240 N.Y.S.2d 743, 191 N.E.2d 279 (1963), the significant contacts of this dispute, *i. e.*, those that "relate to the purpose of the particular law in conflict," *Miller v. Miller*, 22 N.Y.2d 12, 15-16, 290 N.Y.S.2d 734, 737, 237 N.E.2d 877, 879 (1968), are with New York. Factors points not only to the sale of the infringing poster, which occurred in New York, but also to the fact that New York, as a center of communications and the locale where the publicity value of many personas has developed, has an interest in ensuring against misappropriation of a celebrity's right of publicity. Against this rather sparse showing, Pro Arts points out that Tennessee is where Presley was domiciled, Boxcar was incorporated, and the agreement between Boxcar and Factor was made. Moreover, the latter agreement specifically provides that it is to be construed in accordance with Tennessee law. We think it likely that these facts would persuade a New York court to look to the law of Tennessee. But even if a New York court would apply New York law in considering some elements of Factor's claim, such as the occurrence of an infringement, we feel certain that Tennessee law would be referred to in deciding whether Boxcar had a right of publicity in Presley's name and likeness, after his death, that was capable of being contracted for by Factors. *Cf* Restatement (2d) of Conflict of Laws (1971) § 147 Comment (i), noting that tort conflicts rules apply to issue of conversion of property, but property conflicts rules apply to whether plaintiff has title to property allegedly converted.

All members of the panel agree that we should turn to Tennessee law to determine what rights the Boxcar-Factors contract conveyed to Factors. We find, as the Sixth Circuit concluded in *Memphis Development*, that Tennessee statutory and decisional law affords no answer to the question. We are thus brought to the issue that divides the panel: whether deference should be accorded to the decision in *Memphis Development*.

Somewhat to our surprise, there has been hardly a mention in the appellate reports of the appropriate deference a court of appeals should give to a decision made by the court of appeals of another circuit on the law of a state within that other circuit. It has frequently been observed that a court of appeals should give considerable weight to state law rulings made by district judges, within the circuit, who possess familiarity with the law of the state in which their district is located. See 1A Moore's Federal Practice ¶ 0.309(2) n.28 (collecting cases). The Supreme Court has expressed similar views concerning state law interpretations by a panel of circuit judges whose circuit includes the relevant state. *MacGregor v. State Mutual Life Assurance Co.*, 315 U.S. 280, 62 S.Ct. 607, 86 L.Ed. 846

(1942). But no case appears to have turned on whether one court of appeals should defer to another circuit as to the law of a state within that circuit.⁴

In deciding *Memphis Development*, the Sixth Circuit was expounding Tennessee's version of the common law. It makes no difference that the Court was unable to find any Tennessee decisional law to guide its resolution of the issue before it, leaving it, as Judge Merritt candidly acknowledged, with "no way to assess" the predisposition of the Tennessee courts. 616 F.2d at 958. The Sixth Circuit may have lacked any sure basis for predicting what the Tennessee courts would do and therefore felt obliged to make its decision "in the light of practical and policy considerations, the treatment of other similar rights in our legal system, the relative weight of the conflicting interests of the parties, and certain moral presuppositions concerning death, privacy, inheritability and economic opportunity." *Ibid.* But this recourse to such general considerations did not alter the function that the Sixth Circuit was performing. In adjudicating a state-created right in the exercise of its diversity jurisdiction the Court was "for that purpose, in effect, only another court of the State." *Guaranty Trust Co. v. York*, 326 U.S. 99, 108, 65 S.Ct. 1464, 1469, 89 L.Ed. 2079 (1945). It had no power "to declare substantive rules of common law," *Erie Railroad Co. v. Tompkins*, 304 U.S. 64, 78, 58 S.Ct., 817, 822, 82 L.Ed. 1188 (1938); it could only declare the law of Tennessee. "The common law so far as it is enforced in a State, whether called common law or not, is not the common law generally but the law of that State existing by the authority of that State . . ." *Id.* at 79, 58 S.Ct. at 822, quoting *Black and White Taxicab and Transfer Co. v. Brown and Yellow Taxicab and Transfer Co.*, 276 U.S. 518, 533, 48 S.Ct. 404, 408, 72 L.Ed. 681 (1928) (Holmes, J., dissenting).

Of course reasonable minds may differ as to the preferable course that the common law of Tennessee ought to follow on the merits of Factors' claim. The writer would probably uphold a descendible right of publicity, were he serving on the Tennessee Supreme Court, and perhaps if he served on the Sixth Circuit when *Memphis Development* was decided. But the issue for this Court is not which view of the merits is wiser policy; it is whether, and under what circumstances, a ruling by a court of appeals, in-

⁴In *Waters v. American Automobile Insurance Co.*, 363 F.2d 684, 689 (D.C.Cir.1966), the District of Columbia Circuit seemed prepared to read Missouri cases to reach a result different from one adopted by the Eighth Circuit, but ultimately rested decision on a recent decision of a state intermediate appellate court, which was precisely in point. In *Peterson v. U-Haul Co.*, 409 F.2d 1174, 1177 (8th Cir. 1969), the Eighth Circuit expressed the view that "Federal court decisions in diversity cases have no precedential value as state law and only determine the issues between the parties." This view has been labeled erroneous by Professor Moore, 1A Moore's Federal Practice ¶ 0.309(2) n.19, and several circuits, including the Eighth, have relied on the precedential force of their own prior rulings on state law, *id.* at p. 3124-25 and n.25 (collecting cases).

interpreting the common law of a state, within its circuit, should be regarded as authoritative by the other federal courts of the nation. The answer is illuminated by consideration of the functioning of diversity jurisdiction.

One distinct shortcoming of diversity jurisdiction is the interruption of the orderly development and authoritative exposition of state law occasioned by sporadic federal court adjudications. Except in those few jurisdictions permitting a federal court to certify an unsettled question of state law to the state's highest court,⁵ a federal court's decision on state law cannot be corrected, for the benefit of the litigants in the particular case, by the state's authoritative tribunal. As long as diversity jurisdiction exists, this price must be paid. However, the opportunities for federal court departure from the normal paths of state law development should be held to a minimum, for the benefit of both the orderly development of state law and fairness to those subject to state law requirements. Both values are served by recognizing, within the federal system, the authoritativeness of decisions on the law of a particular state rendered by the court of appeals for the circuit in which the state is located. Orderly development is enhanced because the state legislature will know that the decision of the pertinent court of appeals will determine legal rights, unless superseded by a later state supreme court decision. This knowledge will focus state legislative efforts on the appropriateness of a statutory change. Fairness to the public is promoted by making clear that there is a single, authoritative answer to the particular state law issue, instead of leaving the matter subject to the varying interpretations of the courts of appeals for the several circuits.⁶ If this Court were to disregard the Sixth Circuit's view and declare that Tennessee law recognizes a descendible right of publicity, what standard of conduct should guide Tennessee residents endeavoring to determine whether their publicity rights are to be valued only for a lifetime or beyond? Of course, lawyers frequently have to advise clients concerning

⁵*E. g.*, Fla.App.R. 4.61; Md.Code Ann. § 12-601 (1980); Mass.Sup.Jud.Ct.R. 3:21.

⁶Even if uniformity is achieved throughout the federal courts, the possibility remains that the courts of various states, obliged to consider Tennessee law because of their conflicts rules, might reach different predictions of Tennessee law. We think it more likely that state courts would share our interest in uniformity and accept a ruling by a pertinent federal court of appeals, subject to the same qualifications we adopt for ourselves. If in some instances a state court did not do so, that might lessen but would not eliminate the appropriateness of promoting uniform exercise of diversity jurisdiction within the federal court system. And the uniformity achieved for the period after the date of the decision of the pertinent federal court of appeals is not less worthy of achievement simply because prior to that decision other federal courts or courts of other states may have made different predictions about the course of Tennessee law. The possibility of these unavoidable departures from uniformity, just like decisions of federal or other state courts rendered before an authoritative ruling by the pertinent state's highest court, is an insufficient reason to create a needless departure from uniformity during what may be an extended period beginning after a decision by the pertinent federal court of appeals and ending, if at all, only in the event of a contrary decision by the pertinent state's highest court or legislature.

unsettled issues of law, but the exercise of diversity jurisdiction should not add to their uncertainty. Diversity jurisdiction, especially in its post-*Erie* incarnation, should not create needless diversity in the exposition of state substantive law. Even though the decision of the pertinent court of appeals may be revised by a subsequent state supreme court ruling, a state court will normally have the option of making such a ruling prospective only, thereby protecting any rights bargained for in reliance on the ruling of the pertinent court of appeals. That option would make little sense if the authoritative state court ruling came after divergent rulings had been made by several courts of appeals.

[2, 3] We need not and do not conclude that the state law holding of the pertinent court of appeals is automatically binding upon the federal courts of all the other circuits. The ultimate source for state law adjudication in diversity cases is the law as established by the constitution, statutes, or authoritative court decisions of the state. A federal court in another circuit would be obliged to disregard a state law holding by the pertinent court of appeals if persuaded that the holding had been superseded by a later pronouncement from state legislative or judicial sources, *e. g.*, *Waters v. American Automobile Insurance Co.*, 363 F.2d 684, 689 (D.C.Cir.1966), or that prior state court decisions had been inadvertently overlooked by the pertinent court of appeals. Neither circumstance exists in this case. Where, as here, the pertinent court of appeals has essayed its own prediction of the course of state law on a question of first impression within that state, the federal courts of other circuits should defer to that holding, perhaps always, and at least in all situations except the rare instances when it can be said with conviction that the pertinent court of appeals has disregarded clear signals emanating from the state's highest court pointing toward a different rule. However our sense of the common law might lead us to resolve the merits of this case were we judges of the Tennessee Supreme Court, as "outsiders" with respect to Tennessee law, *Lehman Brothers v. Schein*, 416 U.S. 386, 391, 94 S.Ct. 1741, 1744, 40 L.Ed.2d 215 (1974), we should defer to the views of the Sixth Circuit unless we can point to a clear basis in Tennessee law for predicting that the Tennessee courts, when confronted with a case such as this, would conclude that the Sixth Circuit's prediction was incorrect.⁷ Since we are unable to find any such indication in Tennessee law, we accept *Memphis Development* as controlling authority and conclude that after Presley's death, Box-

⁷As it happens, the author of *Memphis Development* is a distinguished member of the Tennessee bar, whose sense of what may be expected of the Tennessee Supreme Court surely surpasses our own. But since Judge Merritt's opinion so emphatically disclaims any basis for predicting how Tennessee will resolve the issue on the merits, we prefer to determine the authoritativeness of *Memphis Development* with regard to the territorial scope of the Sixth Circuit, rather than the heritage of the opinion's author.

car had no right of publicity in Presley's name and likeness to convey to Factors.⁸

For these reasons the judgment of the District Court is REVERSED.

MANSFIELD, *Circuit Judge* (dissenting). I respectfully dissent. I agree with the majority that, despite the contrary assumption of all parties in *Factors I*, New York conflicts of laws analysis would call for the application of Tennessee law to determine if Elvis Presley's right of publicity survived his death. However, with the utmost of respect for our distinguished and able colleagues on the Sixth Circuit, I see no warrant, if we disagree on the merits, for blindly following its decision in *Memphis Development Foundations v. Factors Etc., Inc.*, 616 F.2d 956 (6th Cir.), *cert. denied*, _____ U.S. _____, 101 S.Ct. 358, 66 L.Ed.2d 217 (1980), any more than we would defer to the decision of any other circuit court with which we might, as has occurred on numerous occasions, disagree or conflict. The reasoning of *Memphis Development* is not in any way derived from the local law of Tennessee. Its result is inconsistent with that of nearly every other case which has considered the issue,¹ including the Sixth Circuit's own prior ruling on the preliminary injunction issued by the district court in *Memphis Development* and our opinion in *Factors I*. It is also contrary to all current views of scholarly commentators on the subject.²

⁸In view of our disposition of the appeal, deferring, as a matter of *stare decisis* to the Sixth Circuit's interpretation of Tennessee law, we need not consider Pro Arts' other contentions, which include claims that the judgment in *Memphis Development* collaterally estops Factors from asserting a descendible right of publicity, that if New York law applies, New York would not recognize such a right, and that federal copyright law preempts application of state law purporting to protect such a right. Nor need we consider whether the law of a state recognizing a right of publicity may be enforced nationwide, or only within that particular state. *Cf. Goldstein v. California*, 412 U.S. 546, 93 S.Ct. 2303, 37 L.Ed.2d 163 (1973).

¹Decisions holding that the right of publicity will survive death include *Hicks v. Casablanca Records*, 464 F.Supp. 426 (S.D.N.Y.1978); *Factors Etc., Inc. v. Creative Card Co.*, 444 F.Supp. 279 (S.D.N.Y.1977) (company to the Pro Arts case which was affirmed by us in *Factors I*); *Price v. Hal Roach Studios, Inc.*, 400 F.Supp. 836 (S.D.N.Y.1975). The position of the California Supreme Court is somewhat unclear. In *Lugosi v. Universal Pictures*, 160 Cal.Rptr. 323, 603 P.2d 425, (1979), and *Guglielmi v. Spelling-Goldberg Productions*, 160 Cal.Rptr. 352, 603 P.2d 454, (1979), the majority of the Court held that the rights of publicity involved in those cases did not survive the death of the individuals in question. But it has been suggested that the ruling in *Lugosi*, on which *Guglielmi* was in turn based, depended on the finding that Bela Lugosi had not exploited his right during life. *See Lugosi, supra*, 603 P.2d at 447 n.33 (Bird, C. J., dissenting); Felcher & Rubin, *The Descendibility of the Right of Publicity: Is There Commercial Life After Death?*, 89 Yale L.J. 1125, 1126 n.5 (1980) ("Felcher & Rubin II"). Without deciding whether or not this reading of *Lugosi* is justified, it is clear that any requirement of exploitation during life is fully met in this case. *See Factors I, supra*, 579 F.2d at 222 n.11; note 4 *infra*.

²See, e. g., Felcher & Rubin II, *supra*; Felcher & Rubin, *Privacy, Publicity, and the Portrayal of Real People by the Media*, 88 Yale L.J. 1577 (1979) ("Felcher & Rubin I"); Pilpel, *The Right of Publicity*, 27 Copyright Soc'y Bull. 249 (1980) ("Pilpel"); Note, *Lugosi v. Universal Pictures, Descent of the Right of Publicity*, 29 Hastings L.J. 751 (1978); Note, *The Right of Publicity—Protection for Public Figures and Celebrities*, 42 Brooklyn L.Rev. 527 (1976); Comment, *Transfer of the Right of Publicity; Dracula's Progeny and Privacy Stepchild*, 22 U.C.L.A.L.Rev. 1103 (1975). And see additional authorities collected in *Lugosi, supra*, 603 P.2d at 446 n.30 (Bird, C.J., dissenting).

The majority starts with the proposition that deference is owed to the "interpretations" (Maj. opin., p. 281) by a federal court of the law of a state within its jurisdiction, a principal with which I find no need to disagree. However, it then states that the "issue for this Court . . . is whether, and under what circumstances, a ruling by a court of appeals, interpreting the common law of a state within its circuit, should be recognized as authoritative by the other federal courts of the nation." (Maj. opin., p. 282). With this statement of the issue I must disagree. Here there was *no interpretation* of *any* Tennessee law by the Sixth Circuit, only a declaration of what that court thought would be a preferable general common law rule for that state. The issue before us, therefore, is whether a federal court of appeals, called upon to anticipate what general common law rule with respect to a legal question might be appropriate for a state having no law whatsoever on the subject, must adhere to the diversity decision of a sister federal court of appeals within whose boundaries the state is located. Resolution of this issue requires us to look into the reasoning behind the policy of deference which the majority would apply and decide whether it is to be applied mechanically on a geographical basis or is instead subject to any limitations.

The weight given by higher federal courts to state law rulings made by federal judges sitting in that state results from the supposed greater familiarity that such a judge will have with the local law and the methods and tendencies of the state courts. As Wright states:

"As a general proposition, a federal court judge who sits in a particular state and has practiced before its courts may be better able to resolve complex questions about the law of that state than is some other federal judge who has no such personal acquaintance with the law of the state. For this reason federal appellate courts have frequently voiced reluctance to substitute their own view of the state law for that of the federal judge. As a matter of judicial administration, this seems defensible." C. Wright, *Federal Courts* § 58 at 271 (3d ed. 1976) [footnote omitted].

To a lesser extent a federal court of appeals might conceivably be considered to have more familiarity with the law of a state within its boundaries than would another federal court of appeals. Even this premise is open to serious question, however, for a number of reasons. Unlike a state court or a federal district court within a single state, the court of appeals of a circuit in which several states are located, which disposes of diversity appeals as only a small percentage of its business, is not likely to gain any special familiarity with the law of one of the states within its boundaries. The Sixth Circuit, for instance, physically encompasses seven different states. Of 1,823 appeals filed with it in 1980, only 212, or 11.6% (compared with an average for all circuits of 12.5%) were diversity suits and these originated not solely from Tennessee but from all seven states. See 1980 Annual Report of the Director, Administrative Office of the United States Courts, Table A-12.

These facts weaken and, indeed, may even destroy the assumption that the able Sixth Circuit has some special knowledge or expertise in Tennessee law to which deference must be paid. In this case, for instance, it would be more logical to assume that, if familiarity with a particular state's law is to be the standard for deference, the United States district judge for the Western District of Tennessee, Judge Harry W. Wellford, who in a well reasoned opinion held Elvis Presley's property right in his name and image for commercial purposes to be descendible, see 441 F.Supp. 1323 (W.D.Tenn.1977), had superior expertise with respect to Tennessee law. On the issue before us *MacGregor v. State Mutual Life Assurance Co.*, 315 U.S. 280, 62 S.Ct. 607, 86 L.Ed. 846 (1942), cited by the majority, is of no assistance for the reason that there the circuit court merely affirmed the "interpretation placed upon purely local law by a Michigan federal judge of long experience," *id.* at 281, 62 S.Ct. at 607. Here, in contrast, the Sixth Circuit did not affirm Judge Wellford's decision, but reversed it.

Moreover, it is perfectly clear that the Sixth Circuit's decision in fact in no way depended on existent local law or methods. The opinion makes no effort, as is sometimes done, to determine what other states the Tennessee courts tend to look to, *cf. Yost v. Morrow*, 262 F.2d 826, 828 n.3 (9th Cir. 1959); *Wilmington Trust Co. v. Mutual Life Insurance Co.*, 76 F.Supp. 560 (D.Del.1948), much less to be guided by analogous principles of Tennessee law, *cf. Winston Corp. v. Continental Casualty Co.*, 508 F.2d 1298 (6th Cir. 1975). Instead, it expressly states at the outset that,

"Tennessee courts, have not addressed this issue directly or indirectly, and we have no way to assess their predisposition. Since the case is one of first impression, we are left to review the question in the light of practical and policy considerations, the treatment of other similar rights in our legal system, the relative weight of the conflicting interests of the parties, and certain moral presuppositions concerning death, privacy, inheritability, and economic opportunity." 616 F.2d at 958.

It then relies on John Rawls' *A Theory of Justice* (1971) and the Restatement of Torts in evaluating these general considerations. Clearly, familiarity with Tennessee law and practice was of no consequence in the Sixth Circuit's endeavor. We, however much "outsiders" (Maj. op., p. 283), are as fully qualified effectively to "declare" Tennessee law in such fashion as our sister circuit.

If under these circumstances we were to bow to the Sixth Circuit's declaration of Tennessee law, it would have to be for reasons other than those underlying the usual deference given to federal judges who are experienced in the local law and practice of states located within their boundaries. The majority seeks to find such a basis in the overall "functioning of diversity jurisdiction" (Maj. op., p. 282). First it argues that recognizing the authoritativeness of the Sixth Circuit's ruling would enhance the

“orderly development of state law” (Maj. op. p. 282). But our refusal to be bound by the Sixth Circuit here would not affect the development of Tennessee law at all. It is conceded as a matter of settled law that any Tennessee court decision or state legislation would wipe out the future significance of both *Memphis Development* and our decision. Moreover, the notion that consistency among the circuits will better “focus state legislative efforts on the appropriateness of a statutory change” (Maj. op., p. 282) is speculative at best and perhaps ill founded. If Tennessee constituents were laboring under conflicting federal court declarations of rights and duties, the legislature would be more likely to act sooner than if all decisions were consistent.

Second, while noting that lawyers must frequently advise clients concerning unsettled issues of law, the majority argues that failure to follow *Memphis Development* would promote uncertainty and “create needless diversity in the exposition of state substantive law” (Maj. op., p. 282). This ignores the fact that our development and formation of lasting rules of common law depends heavily on healthy differences of opinion. Soundness must not be sacrificed on the alter of consistency. If two members of this panel would “probably uphold a descendible right of publicity, were [they] sitting on the Tennessee Supreme Court” (Maj. op. p. 282), and the third would certainly do so, I think we should so hold rather than retreat behind unsupportable deferential niceties.

Even the consistency achieved under the majority’s rule is fortuitous and arbitrary. Had the *Memphis Development* case arisen, for example, in the Ninth Circuit and had that circuit, without reference to Tennessee law or practice, declared that Tennessee law should not allow descendibility, would we be required to follow that version unless we could prove it wrong on some local basis overlooked by the Ninth Circuit? Apparently the majority, which would “determine the authoritativeness of *Memphis Development* with regard to the territorial scope of the Sixth Circuit” (Maj. op., p. 283 n.7), would agree that such a Ninth Circuit decision would be entitled to no more weight than the usual persuasive authority of a sister circuit with which, for good reason, we might disagree. The only difference here, where the Sixth Circuit eschewed any Tennessee law basis for its declaration, is that its physical geography includes that state. In my view the lack of logic behind the majority’s geographical reasoning is further demonstrated by the fact that if we had stated our holding in *Factors I* to be a declaration of our view of Tennessee law, which we would certainly have done if the parties had not at that time agreed that New York law governed, the Sixth or any other circuit would have been free to take a contrary view and thus create the very inconsistency which the majority seeks to avoid.

In the unusual situation here, where an initial court of appeals diversity declaration is in no way derived from the law or practice of the state and

interprets no existing state law, we should feel free to reach a different result if sound reasons recommend it, regardless of the unpersuasive views of the sister circuit from which the initial declaration emanated. Where, as here, the Sixth Circuit itself had no Tennessee law basis for its choice and we are persuaded that other reasons dictate a contrary decision (or prediction), there is no logical justification for a rule that would permit us to depart from the Sixth Circuit's views only upon a showing of "a clear *basis in Tennessee law* for predicting that the Tennessee courts . . . would conclude that the Sixth Circuit's prediction was incorrect." (p. 283) [emphasis added].

Turning to the merits, sound principles commend a different result from that reached in *Memphis Development* on the issue of whether Elvis Presley's right of publicity survived his death.³ Because the issue was fully addressed in *Factors I* and because the discussion there is consistent with the vast majority of other authorities considering the problem, see notes 1 & 2 *supra*, I will not rehash at length the elements supporting the *Factors I* result. The gist of the reasoning is that the right of publicity involved here is in the nature of a valuable property right, representing the fruits of an individual's investment in the commercial development of the use of his personality. It differs from a mere right of privacy, which is purely personal in nature and hence only protected from invasion as long as the individual lives. Where the publicity right is developed through commercial investment and exploitation of the individual during his lifetime, it should be treated just the same as any other intangible property right owned by him and be devisable or descendible at death. Further, the public policy of providing incentives for individual enterprise and investment of capital and energy argues for allowing an individual to pass the fruits of his labors along to others after his death. To maintain, as *Memphis Development* did, that "leaving a good name to one's children is sufficient reward in itself for the individual," 616 F.2d at 959, is "rather harsh on those who have invested their efforts in their name, rather than in the stock market, and constitutes a rather heavy burden to impose on creativity." Felcher & Rubin II, *supra* at 1132.

The parade of horrors conjured by the Sixth Circuit in *Memphis Development* to resist this reasoning is unreal. First, merely being a public figure (e. g., Gandhi, Napoleon, Revere, or the others mentioned at 612 F.2d at 959) is not enough to create a descendible property right. That

³In *Felcher & Rubin II, supra*, at 1132 n.30 it is suggested that the overall, result in *Memphis Development* "may be justifiable on other grounds, however. The statue of Presley, itself, being readily characterized as art, not merchandise, is protected by the First Amendment, and is outside the scope of publicity rights. . . . Replicas of the statue could conceivably fall within the same protected category."

right exists only by virtue of the individual's *commercial development*⁴ of his persona and is limited to *commercial* products. Second, it is not analogous to "titles" and "offices," referred to by the Sixth Circuit, which are not alienable by law and not the result of commercial development any more than are "trust," "friendship" or "enmity," also referred to by that court. *Id.* Third, there are several answers to the Sixth Circuit's concern over how long the property interest lasts after the death of the individual and whether it is taxable. As a practical matter the ability to continue to exploit most commercially developed personalities through the sale of products after their death will last but a few years at most, diminishing because public interest in purchasing the products will decline. Further, limits could be placed on the duration of the right by analogy to the copyright statute. See *Lugosi v. Universal Pictures*, 603 P.2d 425, 446-47 (1979) (Bird, C. J., dissenting). Whether the property right is taxable to the individual's estate will depend on interpretation of the Internal Revenue Code, but there is every indication that receipts from the sale of products after death will be taxable to the seller as gross income. Fourth, free speech would not be inhibited by continuing to restrict the sale of such products only to licensees even after death. A biography, documentary or news article would not be the kind of merchandise covered by the right of publicity.⁵ Just as it is during an individual's life, the right can be treated with the flexibility needed to avoid genuine conflicts with First Amendment freedoms. Compare *Paulsen v. Personality Posters, Inc.*, 59 Mis.2d 444, 299 N.Y.S.2d 501 (Sup.Ct.1968) (protecting a Pat Paulsen for President poster as newsworthy), with *Factors I*, *supra*, 579 F.2d at 222 (rejecting claim that the In Memory poster was privileged as celebrating a

⁴The question of whether or not this factor is essential to survival of the right was reserved as unnecessary to the decision in *Factors I*. See 579 F.2d at 222 n.11. I would require proof of some form of exploitation along the lines outlined by the district court in *Hicks*, *supra* 464 F.Supp. at 429:

"...it would appear that a party claiming the right must establish that the decedent acted in such a way as to evidence his or her own recognition of the extrinsic commercial value of his or her name or likeness, and manifested that recognition in some overt manner, e.g., making an *inter vivos* transfer of the rights in the name (Factors), or posing for bubble gum cards (see *Haelan Laboratories, Inc. v. Topps Chewing Gum, Inc.*, 202 F.2d 866 (2d Cir.), *cert. denied*, U.S. 816, 74 S.Ct. 26, 98 L.Ed. 343 (1953))."

See *Felcher & Rubin*, 1 *supra* at 1613-20 and *Flecher & Rubin II*, *supra*, at 1130-31, for arguments in support of an even sterner application of this requirement. But cf. *Lugosi*, *supra*, 603 P.2d at 447 n.33 (Bird, C.J., dissenting); *Pilpel*, *supra*, at 257.

⁵Indeed, even "fictionalized" uses of public figures' names or lives in commercial books or movies, though not qualifying as biography, may be protected by the First Amendment. See *Hicks*, *supra*; *Guglielmi*, *supra* (Bird, C. J., concurring). I leave the merits of this issue for a case which presents it.

newsworthy event.)⁶

The above reasons make the *Factors I* approach the appropriate rule for Tennessee just as for New York, and I am satisfied that they would persuade the Tennessee courts, if faced with the issue, to follow the majority rule and hold that Elvis Presley's right of publicity survived his death. Additionally, it would be rational for the Tennessee courts to adopt a policy enhancing the continued growth of Nashville and Memphis as centers for the lives and activities of music industry personalities. The *Factors I* rule obviously promotes this, while the *Memphis Development* rule threatens it.

Having concluded that as a matter of Tennessee common law the right of publicity asserted by Factors in this case should be held to survive Presley's death, I address certain of Pro Arts' other arguments against affirmance, which the majority, because of its decision on deference grounds, does not consider (Maj. op., p. 283 n.8). Appellees contend (1) that Factors is collaterally estopped by the *Memphis Development* decision from maintaining this suit; (2) that federal copyright law preempts the state law of publicity in this area, and (3) that the apparent nationwide scope of the injunction issued against Pro Arts by the district court is improper. In my view none of these additional points calls for reversal of the judgment below. The first claim is that *Memphis Development*, decided more than four months prior to entry of the judgement appealed from here, created a defensive issue preclusion against Factors because the dispositive issue in that case, as here, is whether under Tennessee law Presley's right of publicity, transferred to Factors, survived his death and this issue was decided by the Sixth Circuit adversely to Factors after a full and fair opportunity for Factors to litigate the issue. With the abandonment of the mutuality of estoppel requirement in New York, *Schwartz v. Public Administrator*, 24 N.Y.2d 65, 70, 298 N.Y.S.2d 955, 959, 246 N.Ed.2d 725 (1969), and in the federal system, *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402 U.S. 313, 91 S.Ct. 1434, 28 L.Ed.2d 788 (1971), Pro Arts asserts that Factors is bound by the adverse *Memphis Development* ruling and may not relitigate it here.

Under ordinary circumstances, *Memphis Development*, even if erroneously decided, might have a preclusive effect. But application of issue preclusion in a suit against different parties is not automatic; it requires

⁶In her dissent in *Lugosi*, again reaching a question not addressed by the majority, Chief Judge Bird said:

"... I am sensitive to the fact that enforcement of the right of publicity may conflict with freedom of expression in some cases. However, such a conflict is not presented in this case. Plaintiffs challenged Universal's licensing of Lugosi's likeness in his portrayal of Count Dracula in connection with the sale of such objects as plastic toy pencil sharpeners, soap products, target games, candy dispensers and beverage stirring rods. Such conduct hardly implicates the First Amendment," 603 P.2d at 449.

weighing of policy considerations, a process left largely to the district court's discretion, *Parklane Hosiery Co. v. Shore*, 439 U.S. 322, 331, 99 S.Ct. 645, 651, 58 L.Ed.2d 552 (1979); Restatement (Second) of Judgments § 88 (Tent. Draft No. 2) (in determining whether to invoke collateral estoppel against a litigant the court may take into account "other circumstances [which] make it appropriate that the party be allowed to relitigate the issue"). In this litigation the policies behind collateral estoppel are not served by using the *Memphis Development* decision as a bar.

This is not a case where the plaintiff is simply trying, by switching adversaries and bringing a new suit, to relitigate issues already lost, a course which is to be discouraged because of the needless waste involved in multiple litigation. Indeed, *Memphis Development* is not really a *prior* determination at all. The present case was actually begun first. Both suits then proceeded simultaneously. Further, the present suit was the first and only one brought by the plaintiffs. The Memphis Development Foundation thereafter sued Factors in the Western District of Tennessee for a declaratory judgment. Factors counterclaimed for a preliminary injunction on the basis of our earlier decision. This relief was granted and the injunction was even affirmed by the Sixth Circuit, which changed its mind only after permanent relief had been granted by the district court in Tennessee. Our own circuit having first had jurisdiction over the issues and having actually adjudicated them for preliminary injunction purposes, the refusal to apply collateral estoppel below in this case cannot be said to permit relitigation. Moreover, the issue here may be seen as one of pure law. Application of any type of collateral estoppel to such an issue is questionable. See *McGrath v. Gold*, 36 N.Y.2d 406, 369 N.Y.S.2d 62, 330 N.E.2d (1975); Restatement (Second) of Judgments § 88(1) (Tent. Draft No. 3).

Pro Arts' next contention, that in view of its valid copyright in the In Memory poster the federal copyright statute preempts Factors' state law publicity rights, was fully discussed and rejected by the district court. I agree with Judge Tenney's conclusion that the right protected here is not equivalent to any within the general scope of federal copyright law and so is not preempted by the 1909 Act, as interpreted in *Goldstein v. California*, 412 U.S. 546, 93 S.Ct. 2303, 37 L.Ed.2d 163 (1973), which controls this case. It would likewise not have been preempted under § 301 of the new 1976 Act, 17 U.S.C. § 301, if the events had occurred after 1978.

The right of publicity protects an interest which copyright does not. The interest is the individual's ability commercially to maintain and exploit his fame and persona. Copyright merely protects the holder from the taking of specific expressions or arrangements he or she had created. The right of publicity, on the other hand, protects against the unauthorized appropriation of an individual's very persona which would result in unearned commercial gain to another. If this right is not the equivalent of a copyright in-

terest during the person's life (as Pro Arts concedes) is it equally not the equivalent after he has died and it has been devised. Other courts which have considered the preemption argument in this exact context have reached the same conclusion as that arrived at by the district court here. See *Apigram Publishing Co. v. Factors Etc., Inc.*, Civ. No. C78-525 (N.D.Ohio July 30, 1980); *Lugosi, supra*, 603 P.2d at 448 (Bird, C. J., dissenting) (issue not reached by majority opinion).

Finally, with certain limits, I would allow the district court's relief to extend nationwide. The issue here on the merits is whether or not Elvis Presley's right of publicity was devisable. Having concluded that it is, I would not fragmentize or qualify it by holding that it is to be recognized only in certain of our 50 states and not in others, depending on the local rule of the state. *Cf. Goldstein, supra*, 412 U.S. at 558, 93 S.Ct. at 2310. To do so would be to promote multiple litigation, the very evil against which estoppel is directed. On the other hand, whether certain acts by a defendant amount to an infringement of that right in a state might depend on the local law of the jurisdiction where the wrong occurred. See, in connection with the tort of unfair competition, *Purcell v. Summers*, 145 F.2d 979, 989 (4th Cir. 1944); 4 Callman, *Unfair Competition, Trademarks and Monopolies* § 93.2 at 424; 1A Pt. 2 *Federal Practice*, Par. 0.311[1-1] at 3170 ("Some state courts will consider the law of each state where the wrong occurred.") I would therefore allow a defendant to show that conduct considered to be infringing in one state would not be so held under the rule of other states. The injunction could then be tailored accordingly. In any event, the practical likelihood of such a problem is not shown.

For the reasons outlined, I believe Factors did have a valid and enforceable property right in the commercialization of Presley's persona and would therefore affirm the judgment of the district court granting it relief.

Reverend Jerry **FALWELL**, Plaintiff, v. **PENTHOUSE INTERNATIONAL, LTD.**, Curtis Circulation Company, Andrew Duncan and Sasthi Brata, Defendants

Civ. A. No. 81-0023(L)

(United States District Court, W. D. Virginia, Lynchburg Division—
August 6, 1981)

521 F.Supp. 1204. 215 USPQ 975

Plaintiff brought an action against journalist and magazine arising from publication of an interview with him in magazine. On defendants' motion to dismiss for failure to state a claim,

the District Court, Turk, Chief Judge, held that: (1) under Virginia law, plaintiff's claim for "false light" invasion of privacy was not recognized as a common-law cause of action; (2) plaintiff's claim of common-law copyright was not cognizable under the law since his allegations did not come within the narrow circumstances where a cause of action involving an oral expression can be sustained under a common-law copyright theory; (3) plaintiff's allegations did not constitute a prima facie case of actual malice where he conceded that the account as published was accurate, truthful, and consistent with his statements at time of the interview; (4) plaintiff's allegations that defendants conspired to obtain and publish the interview and that his religious fund-raising activities were adversely affected as a result did not state a claim under the Virginia statutes which establish criminal and civil remedies for persons injured in their trade, profession, or business by two or more persons acting purposefully, willfully, and maliciously; and (5) the interview did not, as a matter of law, qualify as a trade or advertising purpose under the Virginia invasion of privacy statute.

Complaint dismissed.

1. Torts

Under Virginia law, plaintiff's claim for "false light" invasion of privacy was not recognized as a common-law cause of action, and thus such claim would be dismissed. Va.Code 1950, § 8.01-40.

2. Copyrights and Intellectual Property

Plaintiff's claim of common-law copyright arising from interview with him which was published in magazine allegedly without his consent was not cognizable under the law, in that the expression of plaintiff's opinions or thoughts was too general and abstract to rise to level of a literary or intellectual creation that could enjoy protection of copyright, and his allegations did not come within narrow circumstances where cause of action involving oral expression can be sustained under a common-law copyright theory.

3. Libel and Slander

Cause of action for defamation is premised on two factors: first, that the publication is both false and derogatory by nature and, second, that a third party would believe such to be true of plaintiff, this injuring plaintiff's reputation within the community; logical corollary is that truth is an absolute defense.

4. Libel and Slander

Where plaintiff in a defamation case is found to be a public figure, it is for plaintiff to demonstrate "with convincing clarity" falsity of the publication in order to prove that defendants acted with actual malice.

5. Libel and Slander

Plaintiff's allegations supporting claim of defamation arising from interview with plaintiff, a public figure, published in magazine did not constitute a prima facie case of actual malice where plaintiff conceded that the account as published was accurate, truthful and totally consistent with his statements at time of the interviews, and where plaintiff was attempting to redress his personal dissatisfaction with the particular magazine in which his interview was published.

6. Conspiracy

Plaintiff's allegations that journalists and magazine conspired to obtain and publish an interview with him and that his religious fund-raising activities were adversely affected as result of the publication did not state a viable claim under Virginia statutes which provide statutory schemes establishing criminal and civil remedies for persons injured in their trade, profession, or business by two or more other persons acting purposefully, willfully, and malicious-

ly, in that there was no basis for the general allegation that any of the defendants conspired for the specific purpose of injuring plaintiff. Va.Code 1950, §§ 18.2-499, 18.2-500.

7. Torts

Interview with public figure published in magazine did not, as a matter of law, qualify as a trade or advertising purpose under Virginia invasion of privacy statute which includes statutory prerequisite that plaintiff's name or likeness be used for purposes of advertising or trade. Va.Code 1950, § 8.01-40.

Thomas L. Phillips, Kizer, Phillips & Petty, Lynchberg, Va., for plaintiff.

Norman Roy Grutman, Jeffrey H. Daichman, Grutman, Schafrann & Miller, New York City, Alexander W. Bell, Bell, Coward, Morrison & Spies, Lynchberg, Va., for defendants

MEMORANDUM OPINION

TURK, *Chief Judge*. Plaintiff, Reverend Jerry Falwell is an evangelical fundamentalist minister whose activities, including broadcasting, are centered in Lynchburg, Virginia. Plaintiff's weekly sermons are heard nationwide and in Canada and the Caribbean, by millions of people. His activities are funded largely by contributions received from viewers and listeners.

Defendant Penthouse International, Ltd. is a corporation organized under the laws of a state other than the State of Virginia, with its principal place of business in a state other than the State of Virginia; defendant Curtis Circulation Company is a corporation organized under the laws of a state other than the State of Virginia, with its principal place of business in a state other than the State of Virginia; defendant Andrew Duncan resides in the State of California; defendant Sasthi Brata is a citizen of England. Duncan and Brata work as freelance journalists. Federal jurisdiction is conferred upon this court by virtue of 28 U.S.C. § 1332.

Plaintiff's complaint arises as a result of interviews conducted with plaintiff by defendants Duncan and Brata in March of 1980 and October of 1980. In March of 1981, the interviews with Reverend Falwell appeared in *Penthouse Magazine*, along with plaintiff's name and picture. Reverend Falwell now claims that the interview appeared without his consent and contrary to specific conditions given orally to defendants Brata and Duncan at the time of the interviews. Stated succinctly, Reverend Falwell does not approve of *Penthouse Magazine*. He contends that the appearance of the interview was inconsistent with his ministry.

Plaintiff filed a complaint in this court on January 30, 1981. He asked for and was granted a hearing before the court on that day. No prior notice was given to the defendant of that hearing. After the *ex parte* hearing, the court granted a temporary restraining order, enjoining the distribution of the March, 1981, issue of *Penthouse Magazine* until

February 2, 1981. The defendant Penthouse may have learned of the temporary restraining order from news reports. The other defendants were never notified of the order. After a hearing on a preliminary injunction in open court with all parties present, this court dissolved the temporary restraining order on February 2, 1981. The case remains before the court based on plaintiff's claims for compensatory and punitive damages.

On March 3, 1981, defendants Penthouse, Curtis and Duncan filed a motion to dismiss or to quash service on the ground that they had not been properly served with process pursuant either to Rule 4 of the Federal Rules of Civil Procedure or § 8.01-329 of the Virginia Code, and filed a motion to dismiss on the ground that the complaint failed to state a claim upon which relief could be granted. While plaintiff has now filed an amended complaint, defendants persist in their motions.

Plaintiff's amended complaint explicitly pleads the following five counts:

- (1) "False Light" invasion of privacy
- (2) Infringement of plaintiff's common-law copyright
- (3) Defamation
- (4) Conspiracy to willfully injure another in his trade or profession
- (5) Commercialization of plaintiff's personality.

The court will now proceed to consideration of plaintiff's allegations in the context of defendant's Rule 12(b)(6) motion.

(1) "False Light" Invasion of Privacy

[1] Plaintiff's claim for "false light" invasion of privacy must be dismissed as a matter of law. The courts of Virginia simply do not recognize such a common law cause of action. Indeed, Virginia recognizes no right of privacy other than that specifically conferred by Virginia Code § 8.01-40, a legislative enactment in derogation of the common law.

This fundamental proposition of Virginia law cannot be seriously disputed in view of this court's decision in *Evans v. Sturgill*, 430 F.Supp. 1209 (W.D.Va., 1977). The plaintiff in that case also alleged an invasion of privacy, and specifically complained that the defendants' conduct was "calculated to, and did, place the plaintiff in a false light in the public eye . . . ," precisely the allegations raised by Reverend Falwell in this action. In *Evans*, this court dismissed the privacy count with the following analysis:

Several states, including Virginia, have passed statutes which are substantially similar to the New York statute. See *Chaplin v. National Broadcasting Co.*, 15 F.R.D. 134, 138 (S.D.N.Y.1953). The Virginia statute states that the use, for commercial purposes, of the name, portrait, or picture of any person without his or her consent is a misdemeanor. Va.Code Sect. 8-650 (1957 Repl.Vol.) The statute further provides for injunctive relief and damages against the party misusing the name,

portrait, or picture. No Virginia case has been located which has construed this statute. Also, no Virginia case has been located which found a right of privacy existing outside of the statute. However, a federal district court has considered the Virginia statute and has given it the same strict construction which the New York courts have given the very similar New York statute. *Bernstein v. National Broadcasting Company*, 129 F.Supp. 817, 829 (Dist.Col.1955); *cert. denied* 352 U.S. 945, 77 S.Ct. 267, 1 L.Ed.2d 239 (1956). In that case, the plaintiff had sued NBC for presenting a television program in 1952 which was a fictionalized dramatization of the plaintiff's conviction for bank robbery in 1919 and his subsequent pardon. The district court analyzed the law of Virginia and the law of the District of Columbia and concluded that no right of privacy existed in Virginia outside of the statute, Va.Code Sec. 8-650. The court went on to find that the television program did not fall within the narrow language or purpose of the Code section.

The right of privacy has been discussed in a comparable manner by Professor Prosser:

In one form of [sic] another, the right of privacy is by this time recognized and accepted in all but a very few jurisdictions. It is recognized in a limited form by the New York statute, and by similar acts adopted in Oklahoma, Utah and Virginia. W. Prosser, *The Law of Torts*, Sec. 117 at 802 (4th Ed. 1971). Prosser clearly places Virginia in the category with New York, evidently concurring in the judicial conclusion that the legislative adoption of a particular form of the right to privacy signaled an intent to limit the scope of that right to the specific language of the statute.

In the absence of guidance from the Supreme Court of Virginia, this court must rely on the conclusions of other federal courts, state courts, and commentators, as it attempts to interpret the intent of the legislature of Virginia in adopting section 8-650. Therefore, it is the conclusion of this court that no general right of privacy exists in the law of Virginia, except for the limited right conferred by Va.Code Sec. 8-650. Further, the acts complained of do not fall within the rather narrow purview of that statute. . . ." *Id.* at 1212-13.

Any decision inconsistent with the holdings of *Evans* would represent a radical departure from the law as it presently exists in Virginia. This court must, therefore be dismissed.

(2) Common-Law Copyright

[2] The existence of common law copyright protection for the spoken word has not been established by any court. From time to time, the courts have entertained actions based on a claim of common law copyright in which the medium of expression was the spoken word, but in each instance the courts have never recognized a proprietary interest where there was no tangible embodiment of the expression of an idea. Were this court to accept plaintiff's cause of action as legally cognizable, it would set an unprecedented departure from the state of the law as it presently exists. Such an extension of the doctrine of common law copyright would be novel and unwarranted.

Plaintiff's claim of copyright is not founded on any existing principle of law, nor is it even analagous to any of the circumstances which heretofore have been contemplated by the courts. Plaintiff's claim of copyright

presupposes that every utterance he makes is a valuable property right. If this were true, the courts would be inundated with claims from celebrities and public figures all of whom may argue that their expressions should also be afforded the extraordinary protection of copyright. Such a result was never contemplated by the development of the law regarding common law copyright, and such a result would run counter to the firmly established constitutional guarantees of freedom of speech and of the press.

Plaintiff cannot seriously contend that each of his responses in the published interview setting forth his ideas and opinions is a product of his intellectual labors which should be recognized as a literary or even intellectual creation. There is nothing concrete which distinguishes his particular expression of his ideas from the ordinary. Although it is sometimes difficult to differentiate, the expression of ideas is a separate and distinct concept from that of the ideas themselves. As stated in Nimmer, *The Law of Copyright*, Vol. 1, Sec. 2.02 at pp. 2-19 (1980):

It is a fundamental precept of copyright that only the expression of ideas, and not the ideas themselves, are copyrightable.

However different or unique plaintiff's thoughts or opinions may be, the expression of those opinions or thoughts is too general and abstract to rise to the level of a literary or intellectual creation that may enjoy the protection of copyright. Although the general subject matter of the interview may have been outlined in the reporters' minds prior to their meeting with plaintiff, the actual dialogue, including the unprepared responses of plaintiff, was spontaneous and proceeded in a question and answer format. There is no defined segregation, either by design or by implication of any of plaintiff's expressions of his thoughts and opinions on the subjects discussed which would aid in identifying plaintiff's purported copyrighted material.

In the case at bar, plaintiff willfully and freely participated in the interview. An interview with members of the media is not a private conversation. Like a press conference, plaintiff in this action responded to questions in a spontaneous manner and not from a carefully prepared text or even from notes. Moreover, plaintiff was aware that his comments were not made in the context of a private conversation but rather were destined expressly for dissemination to the public. Plaintiff is free to pursue a breach of contract action against the journalists. But he is trampling upon fundamental constitutional freedoms by seeking to convert what is essentially a private contractual dispute into a broad-based attack on these principles of freedom of speech and press which are essential to a free society.

Plaintiff's claim of common law copyright is not cognizable under the law. His allegations do not come within the narrow circumstances where a cause of action involving an oral expression can be sustained under a common law copyright theory. Plaintiff's claim under such theory must therefore be dismissed as legally insufficient.

(3) Defamation

[3] A cause of action for defamation is premised on two factors: first, that the publication is both false and derogatory by nature and second, that a third party would believe such to be true of the plaintiff, thus injuring plaintiff's reputation within the community. Of course, the logical corollary is that truth is an absolute defense.

In the case at bar, the alleged facts do not support the allegation of false and actionable defamation. Plaintiff bases his claim solely on a foundation of innuendo.

[4] The plaintiff, as an admitted public figure, must meet a more stringent burden of proof. Where the plaintiff in a defamation case is found to be a public figure, it is for the plaintiff to demonstrate "with convincing clarity" the falsity of the publication in order to prove that defendants acted with actual malice. In a succession of cases, the United States Supreme Court has delineated and refined the standards which must be applied in such cases. A line of cases beginning with *New York Times Co. v. Sullivan*, 376 U.S. 254, 84 S.Ct. 710, 11 L.Ed.2d 686 (1964) sets forth the premise that a public figure must prove that the media defendant in disseminating information acted with "knowledge that it was false or with reckless disregard, whether it was false or not." *Id.* at 279, 84 S.Ct. at 725.

[5] In the instant case, plaintiff's allegations do not constitute a *prima facie* case of actual malice. Plaintiff has conceded that the account as published is accurate, truthful, and totally consistent with his statements at the time of the interviews. Both the journalists and *Penthouse* have thus been absolved from *knowingly publishing a falsehood* by plaintiff's own admission.

In short, inasmuch as it is uncontroverted that the material disseminated by the defendants was truthful, it is obvious that no viable claim of defamation has been stated. The court recognizes that plaintiff is upset as a result of the fact of the appearance rather than the substance of the interview article itself. While plaintiff may believe that the act of the appearance may give rise to false implications as to his cooperation with the magazine, this circumstance, standing alone, simply does not support any claim of actual malice. Again, if plaintiff was harmed because of the fact of appearance, it was a result of the violation of the oral conditions set by plaintiff at the time the interviews were conducted and not because of any inaccuracy in the manner in which plaintiff was explicitly depicted. If plaintiff should eventually prevail on a breach of contract theory, the true crux of controversy in the instant case, the degree of injury caused by the "implications" might be a relevant element of damages. However, the arguable existence of such "implications" does not present an independent basis for a defamation claim.

(4) *Conspiracy to Willfully Injure Another In his Trade or Business*

[6] Virginia Code §§ 18.2-499 and 18.2-500 provide a statutory scheme establishing criminal and civil remedies for persons injured in their trade, profession, or business by two or more other persons acting purposefully, willfully, or maliciously. Several courts have held that the civil remedies of these sections are applicable only when the malicious conduct is directed to one's business. *Federated Graphics Companies, Inc. v. Napotnik*, 424 F.Supp. 291 (E.D.Va., 1976); *Moore v. Allied Chemical Corporation*, 480 F.Supp. 364 (E.D.Va., 1979). Plaintiff alleges that the defendants conspired to obtain and publish the interview and that his fund raising activities have been adversely affected as a result of the publication. Consequently, he urges that he is entitled to recovery under Va.Code § 18.2-500.

It is with some reservation and regret that the court considers this claim, inasmuch as it necessarily equates business activity with the work of an outreach ministry. However, it is unnecessary to reach this distinction inasmuch as it appears that the claim is defective on its face. There is simply no basis at this time for the general allegation that any of the defendants conspired for the specific purpose of injuring the plaintiff. While plaintiff has alleged a factual scenario from which it might be inferred that *Penthouse* conspired with Duncan and Brata to obtain the interviews and/or publish the article in violation of the alleged interview conditions, plaintiff has alleged no facts or circumstances which even remotely suggest that defendants acted for any more sinister purpose than to sell magazines. Plaintiff's complaint in this regard sets forth nothing more than mere speculation. While there is always a thin line present in matters which concern a party's motivation, the court is of the opinion that this line must be rigorously observed when possible restriction of First Amendment activities is at stake. Reverend Falwell is undoubtedly sincere in his beliefs. However, the rules of procedure do not require a party to proceed based on nothing more than the opposing party's personal opinion.

While the court can only conclude that the allegations of this complaint do not state a viable claim under Virginia Code §§ 18.2-499 and 18.2-500, it should again be emphasized that plaintiff is not without redress assuming that the facts which have been alleged are subject to proof. Even absent the requisite malice and intent to injure required under the Virginia conspiracy statutes, plaintiff is entitled to recover if *Penthouse* and the writers conspired to obtain the interview, or if *Penthouse* caused the writers to violate the terms under which the interview was granted. However, as previously suggested, these are matters of contract and tortious interference which are not properly before the court.

(5) *Invasion of Privacy: Commercialization of Plaintiff's Personality*

[7] The only remedy available for an invasion of privacy in Virginia is statutory, [Va.Code § 8.01-40 (1950) as amended]. Virginia has never

recognized a common law cause of action for invasion of privacy. Because the Virginia statute is in derogation of the common law, it must be strictly construed. Therefore, plaintiff must satisfy each of the statutory prerequisites, including the requirement that plaintiff's name or likeness be used for purposes of advertising or trade. The interview of Reverend Falwell does not, as a matter of law, qualify as a trade or advertising purpose under the statute. Therefore, plaintiff's invasion of privacy claim must also be dismissed.

Obviously, everything that appears in a magazine is placed with the intention of increasing sales. But if the "purposes of trade" requirement were to be so broadly construed, it would conflict with the limited legislative goal in enacting a statute that creates a cause of action which did not exist at common law. Such an unnecessarily broad construction would likewise intrude on important constitutional freedoms, which guarantee the uninhibited dissemination of ideas.

Conclusion

Reverend Falwell has been the central focus of abiding public interest and concern, and he has aggressively nurtured the public spotlight to promote and disseminate his personal views to as wide an audience as possible. In this cause of action, plaintiff has advanced five different legal theories of recovery in an attempt to redress what is really his personal dissatisfaction with the particular magazine in which his interview was published. The mere fact that plaintiff may not approve of publications such as *Penthouse*, or may not desire *Penthouse* to discuss his activities or publish his spoken words, does not give rise to an action cognizable under the law. The First Amendment freedoms of speech and press are too precious to be eroded or undermined by the likes and dislikes of persons who invite attention and publicity by their own voluntary actions.

While the court can only conclude that plaintiff's dissatisfaction does not translate to any of the legal theories set forth in the current complaint, this does not necessarily mean that plaintiff's dissatisfaction is not actionable. As the court has repeatedly noted, plaintiff has alleged facts and circumstances which suggest possible breach of contract and interference with contract. While the court must dismiss the complaint as currently constituted for failure to state a claim, the final order will provide for dismissal without prejudice as to any supplemental claims sounding in contract. The court notes that should it eventually prove necessary to determine the extent of harm, if any, suffered by plaintiff, many of the allegations advanced in the instant case may well prove relevant. Accordingly, the dismissal is also without prejudice to reconsideration of the claims in that context. An appropriate order will be entered this day.

FANTASTIC FAKES, INC., Plaintiff-Appellant, v. PICKWICK INTERNATIONAL, INC., Defendant-Appellee

No. 80-7294

*(United States Court of Appeals, Fifth Circuit, * Unit B—
November 16, 1981)*

661 F.2d 479. 212 USPQ 727

Licensors, as copyright owner, brought action against licensee for breach of licensing agreement and copyright infringement. The United States District Court for the Northern District of Georgia, Charles A. Moye, Jr., Chief Judge, held that defendant's negligent designation of itself as copyright owner did not make it an infringer subject to claims under 1909 or 1976 Copyright Acts and granted defendant's motion for summary judgment. Appeal was taken and the Court of Appeals, Lewis R. Morgan, Circuit Judge, held that: (1) under Georgia law, provision in licensing agreement by which licensee promised to place notice of licensor's copyright as spelled out in provision on each recording sold pursuant to agreement set forth a covenant of performance rather than a condition precedent to license granted, and (2) licensee's designation of itself as copyright proprietor in copyright notice on distributed records did not render notice inadequate to protect licensors's copyright ownership, i.e., defect did not result in breach of implied condition of adequate notice.

Affirmed.

1. Copyrights and Intellectual Property

A choice of law provision merely designates state whose law is to be applied to extent its use is not preempted by or contrary to policies of 1909 and 1976 Copyright Acts. 17 U.S.C. (1970 Ed.) § 1 et seq.; 17 U.S.C.A. §§ 101 et seq., 301.

2. Copyrights and Intellectual Property

Application of Georgia rules to determine parties' contractual intent under licensing agreement was not preempted by either 1909 or 1976 Copyright Acts, nor did application of Georgia rules violate federal copyright policy. 17 U.S.C. (1970 Ed.), § 1 et seq.; 17 U.S.C.A. §§ 101 et seq.; 301.

3. Copyrights and Intellectual Property

A mere breach of covenant under licensing agreement might support claim for damages for breach of contract but would not disturb remaining rights and obligations under license including authority to use copyrighted material.

4. Copyrights and Intellectual Property

Under Georgia law, provision of licensing agreement by which licensee promised to place notice of licensor's copyright as spelled out in provision on each recording sold pursuant to agreement set forth covenant of performance rather than condition precedent to license granted where provision did not contain any express words of condition, and phrases "subject to" and "in accordance with," which were used in agreement, were ambiguous. Ga.Code, § 37-216.

*Former Fifth Circuit case, Section 9(1) of Public Law 96-452—October 14, 1980.

5. Copyrights and Intellectual Property

Under 1976 Copyright Act, implied condition of copyright notice, or even express condition if not in writing, will not preserve a copyright against effects of publication without notice or publication with inadequate notice. 17 U.S.C.A. §§ 405(a)(3), 406(a).

6. Copyrights and Intellectual Property

Only where the distribution of copyrighted material is unauthorized will the copyright owner be protected from errors and omissions in the affixed copyright notice.

7. Copyrights and Intellectual Property

A copyright can only be abandoned through some overt act which indicates copyright proprietor's desire to surrender its rights.

8. Copyrights and Intellectual Property

A forfeiture of copyright may occur regardless of copyright owner's intent to preserve copyright.

9. Copyrights and Intellectual Property

Under 1909 Copyright Act, licensee's designation in copyright notice on distributed records of itself as copyright proprietor did not render notice inadequate to protect licensor's copyright ownership, i.e., defect did not result in breach of implied condition of adequate notice, since claim of copyright placed on licensor's material, although defective, clearly notified public of existence of claim of copyright, record demonstrated that while relationship between licensee and licensor was technically merely that of licensor and licensee practical association between parties rendered de minimis any possibility that third parties would be misled, and licensor had been unable to show any instance where someone had been misled into licensing licensor's material from licensee. 17 U.S.C. (1970 Ed.) § 1 et seq.; 17 U.S.C.A. § 101 et seq.

Gort, Rabiner, Joffe & Joffe, Craig J. Rabiner, Atlanta, Ga., for plaintiff-appellant.

Herbert D. Shellhouse, Robert L. Pennington, Atlanta, Ga., for defendant-appellee.

Appeal from the United States District Court for the Northern District of Georgia.

Before MORGAN, TJOFLAT and ANDERSON, Circuit Judges.

LEWIS R. MORGAN, *Circuit Judge*. This appeal presents dual questions of contract interpretation and the proper application of the 1909 and 1976 Copyright Act.¹ The underlying controversy stems from the breach

¹In the case at bar we are required to consider provisions of both the 1976 Copyright Act, 17 U.S.C. § 101 et seq. (1979) and the 1909 Copyright Act. ch. 320, 35 Stat. 1075 (codified and reenacted as positive law in 1947. The new Act was adopted on October 19, 1976, but all provisions relevant to this appeal did not become effective until January 1, 1978. The 1976 Act does not extend copyright protection to any work that went into the public domain prior to the Act's effective date. H.R. Rep., No. 94-1476, 94th Cong., 2d Sess. reprinted in [1976] U.S. Code & Ad. News 5659, 5796 (Transitional and Supplementary Provisions, section 103). Similarly, the 1909 Act continues to govern infringement lawsuits, if relating to pre-1978 infringement. *Id* (Transitional and Supplementary Provisions, section 112). The occurrences leading to the instant suit began in April 1976 and continued at least through August 1978. The record demonstrates that alleged acts of infringement first occurred in 1977. The 1909 Act is, therefore, controlling as to most of the issues before us, but as to any alleged continuing infringement, we will also be required to consider the provisions of the 1976 Act. Important distinctions between the new and old Copyright Acts will be discussed as they relate to the particular issues raised.

of a licensing agreement under which plaintiff, as copyright owner, authorized the distribution of certain of its copyrighted material by defendant. As a basis for two counts in its complaint, plaintiff asserts that defendant's failure to affix proper copyright notice to the licensed material—specifically defendant's representation of itself as copyright proprietor in the copyright notice—was a breach of condition to the contract rendering defendant's actions unauthorized and therefore those of an infringer. Granting defendant's motion for summary judgment, the court below held that defendant's negligent designation of itself as copyright owner did not make it an infringer subject to claims under either copyright act. For the reasons stated below, we affirm.

I. FACTUAL BACKGROUND

Plaintiff-appellant, Fantastic Fakes, Inc., [hereinafter "Fantastic"], is in the business of producing "soundalikes," rerecordings of "hit singles," which are then sold or licensed to distributors. Defendant-appellee, Pickwick International, Inc., [hereinafter "Pickwick"], is a worldwide record distribution company. On April 27, 1976, Fantastic entered into a two-year, non-exclusive "Licensing Agreement" with Pickwick. The agreement, which was drafted by Fantastic, granted Pickwick the right to distribute copies produced from master sound recordings made and copyrighted by Fantastic. Of particular importance to this appeal is section 2 of the licensing agreement which provides in relevant part

2. *Grant of Rights.* "LICENSOR" hereby grants to "LICENSEE" a nontransferable, nonassignable and nonexclusive License for a period of 2(TWO) years from the date hereof, to use the "ORIGINAL MASTER RECORDINGS" listed and identified on the schedule incorporated by reference herewith, and subject to and in accordance with the following:

(a) This License Agreement affords only to "LICENSEE" the rights embodied herein including the right to make sound recordings, including cartridge tapes, which are to be sold and distributed to the public, and said "ORIGINAL MASTER RECORDINGS" or derivatives therefrom shall not be sold, distributed, assigned, licensed or sublicensed by "LICENSEE" so that other sound recordings may be made therefrom by anyone other than "LICENSEE" or so that anyone other than "LICENSEE" may exercise any of the rights embodied herein.

(b) "LICENSEE" shall cause to appear on all sound recordings, including cartridge tapes, produced from "ORIGINAL MASTER RECORDINGS" a copyright notice such that said notice appears on the surface of the copies of the recording or on the label or container, in such a manner and location as to give reasonable notice of the claim of copyright. The copyright notice for said sound recordings including cartridge tapes, shall be in the name of "LICENSOR" who is copyright owner, and shall be in the following form:

"P 1973 (or year first registered) by "FANTASTIC—F, INC."

Additionally, section 9 of the agreement sets forth a choice of law provision requiring that the contract be "construed and enforced in accordance with the laws of the State of Georgia."

Pursuant to the licensing agreement Fantastic sent Pickwick numerous "master recordings." Pickwick in turn made recording "derivatives", copies of which were included in Pickwick's catalogs and sold to the public as part of its regular inventory. Appearing on all such copies of Fantastic's copyrighted material was the following copyright notice.

P-Pickwick International, Inc. WARNING: Unauthorized reproduction of this recording is prohibited by federal law and subject to criminal prosecution.

In October 1977, some of the phonorecords bearing the incorrect copyright notice were discovered by Fantastic in Atlanta area retail stores. Approximately ten months later, in August 1978, Fantastic filed the instant action in the District Court for the Northern District of Georgia. Fantastic's amended complaint contained six counts upon which were based claims for injunctive relief and damages. In issue on this appeal are only Counts I and III in which Fantastic alleged that Pickwick's failure to affix the proper notice of copyright to products distributed under the licensing agreement constituted an infringement of copyright.

After lengthy discovery proceedings Pickwick filed a motion for partial summary judgment on five counts of Fantastic's complaint including Counts I and III. The motion was granted by the trial court of February 20, 1980, and final judgment was entered pursuant to Fed.R. of Civ.P.54(b).

II. OPINION

Having carefully read Counts I and III of the complaint and Fantastic's brief in opposition to Pickwick's motion for summary judgment, we find that review of the lower court's grant of partial summary judgment requires resolution of three questions. First, was the language in the licensing agreement, requiring affixation of notice of Fantastic's copyright ownership, properly interpreted by the district court as being merely a covenant independent of the other obligations in the contract? Second, under the 1909 Copyright Act, is there an implied condition to the parties' licensing agreement making authorized distribution of Fantastic's copyrighted material dependent upon *effective* notice of copyright? Third, if either an expressed or implied condition to the licensing agreement ex-

ists, was it breached by Pickwick's negligent designation of itself as copyright owner in the affixed copyright notice?

A. Relationship Between Georgia Rules of Construction and Federal Copyright Law.

[1] Important to the proper resolution of these questions is an understanding of the extent to which Georgia law applies versus the scope of application and influence of the provisions and policies of the 1909 and 1976 Copyright Acts. Although the parties stipulated in the licensing agreement that Georgia law would govern the construction and enforcement of their contractual obligations, this does not mean that all rights and obligations created by the copyright acts are superseded by Georgia law. In *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 229, 84 S.Ct. 784, 787, 11 L.Ed.2d 661 (1964), the Court stated that federal patent and copyright law "like other laws of the United States enacted pursuant to constitutional authority, are the supreme law of the land. . . . When state law touches upon the area of these federal statutes, it is 'familiar doctrine' that the federal policy 'may not be set at naught, or its benefits denied' by the state law." [citations omitted]. Under the 1976 Copyright Act, 17 U.S.C. § 101 *et seq.*, the scope of federal copyright protection was expanded and its preemptive nature codified. 17 U.S.C. § 301. A choice of law provision, therefore, merely designates the state whose law is to be applied to the extent its use is not preempted by nor contrary to the policies of the 1909 and 1976 Copyright Acts.

[2] The only state "laws" applied by the court below were Georgia rules of contract construction. While the context of copyright law in which the agreement exists cannot be overlooked, application of Georgia rules to determine parties' contractual intent is not preempted by either copyright act nor does their application violate federal copyright policy. *See Bartsch v. Metro-Goldwyn-Mayer, Inc.*, 391 F.2d 150, 153 (2d Cir.), *cert. denied*, 393 U.S. 826, 89 S.Ct. 86, 21 L.Ed.2d 96 (1968); *Kingsrow Enterprises, Inc. v. Metromedia, Inc.*, 397 F.Supp. 879, 881 (S.D.N.Y.1975). *Cf. Aronson v. Quick Point Pencil Co.*, 440 U.S. 257, 99 S.Ct. 1096, 59 L.Ed.2d 296 (1979) (state law is not displaced merely because contract relates to intellectual property).² It is possible to hypothesize situations where application of particular state rules of construction would so alter

²In *Bartsch*, the Second Circuit was required to determine the scope of rights granted by a copyright owner under an assignment contract. A provision in the agreement provided that "[e]ach and every term of this agreement shall be construed in accordance with the laws of the United States of America and of the State of New York." 391 F.2d at 153. The court, holding that New York law governed the question of interpretation in issue, noted that a "federal common law" of contracts is justified only when required by a distinctive national policy . . . " *Id.*

rights granted by the copyright statutes as to invade the scope of copyright law or violate its policies. We need not, however, set forth these extreme situations for it is clear that the application of Georgia rules of construction in the case at bar is not one of them.

Georgia law is not controlling of the second and third questions delineated above. Defendant did not argue to the court below, and the court did not *sua sponte* decide, whether under Georgia rules of construction the mere inclusion of a covenant setting forth the form of the correct copyright notice negated any implied conditions. We seriously doubt that Georgia rules of contract construction would have required this conclusion had the issue been raised. Additionally, such an interpretation would have made conflict between the application of state law and the 1909 Copyright Act a much more immediate concern.

B. *Contract Interpretation.*

[3] Defendant, Pickwick, does not dispute that in section 2(b) of the licensing agreement it promised to place the notice of Fantastic's copyright as spelled out in the provision on each recording sold. The question emphasized by Pickwick and focused on by the trial court was whether conformance with section 2(b) was a condition of Fantastic's obligations under the licensing agreement or merely a covenant. Both parties agree that if a breach of a condition precedent is found then the authority to manufacture and distribute copyrighted material granted in the licensing agreement did not vest. In that case, Pickwick's actions in manufacturing records and tapes would be without the authority of the copyright owner and would render Pickwick liable for copyright infringement. *See National Comics Publications, Inc., v. Fawcett Publications, Inc.*, 191 F.2d 594 (2d Cir. 1951); 3 *Nimmer on Copyright* § 10.15. A mere breach of covenant may support a claim of damages for breach of contract but will not disturb the remaining rights and obligations under the license including the authority to use the copyrighted material. *See generally* 3A *Corbin on Contracts* §§ 633, 635 (1960).

[4] We agree with the district court's finding that "[t]he application of the pertinent rules of construction under Georgia law leads to the conclusion that section 2(b) of the licensing agreement sets forth a covenant of performance rather than a condition precedent to the license granted to defendant." Record at 255. The court below cited three general rules of contract construction under Georgia law to support this finding: promises in a contract should be construed as covenants rather than conditions if the text permits, Ga.Code Ann. § 37-216; *Floyd v. Hoover*, 141 Ga.App. 588, 590, 234, S.E.2d 89 (1977); terms of an agreement should be interpreted to avoid a forfeiture of contract benefits, *see Kitchens v. Atlantic Steel Co.*, 123 Ga.App. 812, 815-16, 182 S.E.2d 530 (1971), *aff'd*, 228 Ga.

708, 187 S.E.2d 268 (1972); and finally, all doubt as to the intended meaning of a contract should be resolved against the party who drafted it. *See Chalkley v. Ward*, 119 Ga. App. 227, 230, 166 S.E.2d 748 (1969); *Farm Supply Co. of Albany, Inc. v. Cook*, 116 Ga.App. 814, 818-19, 159 S.E.2d 128 (1967). Applying these principles, we note that section 2(b) does not contain any express words of condition. The phrases "subject to" and "in accordance with", which are used in the agreement, are ambiguous. Additionally, as the district judge noted, "[o]f the four requirements set forth in section 2, only two impose any obligation of performance upon defendant; the remaining provisions, sections 2(c) and 2(d), are covenants by plaintiff Fantastic . . . [I]t is unlikely that section 2, when read in its entirety, attempts to impose conditions solely upon defendant." Record at 256.

[5] *C. Implied Condition of Adequate Notice Under the 1909 Copyright Act.*³

In Counts I and III of its complaint, Fantastic bases its claim of copyright infringement on the theory that "any distribution of sound recording by Defendant . . . which reflected that Defendant was the owner of the copyright, as a matter of law, constitutes a distribution and use that was unauthorized, just as if there were no agreement at all," Consistent with the breath of argument these counts allow, plaintiff in its brief in opposition to Pickwick's motion for summary judgment contends (in a rather enigmatic fashion) that, if the express language of section 2(b) is not interpreted as a condition, then an implied condition must be found. In making the latter claim, Fantastic stresses "the nature of copyright law", the mutual intent of the parties that Fantastic maintain control of the copyright and not dedicate it to the public domain, and Pickwick's knowledge of Fantastic's copyright ownership. Record at 225.

While courts will not rewrite agreements, they are not as a general matter confined to the terms which have been put to paper in their efforts to effectuate the intent of the parties.

The fact that a contract has been put into express words does not prevent the meaning and legal operation of those words from being affected by their factual en-

³Congress under the 1976 Copyright Act has eliminated consideration of implied conditions of adequate notice as to publications occurring after January 1, 1978, by providing that an omission of or error in copyright notice will not invalidate the copyright if "the notice has been omitted in violation of an express requirement in writing that, as a condition of the copyright owner's authorization of the public distribution of copies or phonorecords, they bear the prescribed notice." 17 U.S.C. §§ 405(a)(3), 406(a); H.R.Rep. No. 94-1476, 94th Cong., 2d Sess., *reprinted in* [1976] U.S.Code Cong. & Ad.News 5659, 5765. The logical inference from this requirement is that an implied condition, or even an express condition if not in writing, will not preserve a copyright against the effects of publication without notice or publication with inadequate notice.

vironment. Where indispensable to effectuate the intent of the parties, a contract may be implemented beyond its express language; courts have the power to inquire into the real purpose of the agreement; language, though seemingly plain and clear, will not bear a literal interpretation if this leads to an absurd result or thwarts the manifest intention of the parties.

4 *Williston on Contracts* § 610B (3rd ed).

Plaintiff cites two cases, arising in the copyright context, that strongly support a finding of an implied condition in the case at bar. In *County of Ventura v. Blackburn*, 362 F.2d 515 (9th Cir. 1966), plaintiff had entered into a licensing agreement with defendant permitting it as a licensee to reproduce a copyrighted map. Defendant failed to affix any notice of copyright to the material reproduced under the license, and plaintiff brought suit for copyright infringement. The district court held and the Ninth Circuit affirmed that "the conduct of the [defendant] in selling or using copies of the maps without the copyright notices affixed constituted an infringement on the copyright." 362 F.2d at 520. The court reached this conclusion although the licensing agreement did not expressly require that copyright notices be affixed because it found that "[no] right was granted the [defendant] to use or sell any map other than duplicates from the photograph negatives [which all had affixed copyright notices]." *Id.* The court, therefore, implied a condition based on the fact that the 1909 Copyright Act created exclusive rights of ownership in plaintiff that were not divested or assigned to defendant in the licensing agreement.

The second case relied upon by Fantastic, *National Comics Publications v. Fawcett Publications*, 191 F.2d 594 (2d Cir. 1951), involved a suit against a company that, without any claim of authority, had reproduced plaintiff's copyrighted material. Defendant asserted as a defense to the infringement action that the plagiarized material had previously been reproduced by a licensee of plaintiff without containing any copyright notice and that this omission resulted in a forfeiture of the copyright. Remanding the case for further factual determinations the Second Circuit held that:

If [the copyright owner] gave [its licensee] a license to publish the "strips," their publication without the "required" notice was "by authority of the copyright proprietor," and had the same effect upon the copyrights that similar publication by [the licensor] would have had: it "forfeited" them unless § 21 saved them. On the other hand if [the licensee] promised to affix the "required" notice upon the borrowed "strips" . . . the performance of that contract was a condition upon the license, for [the licensor] certainly did not mean to be remitted only to the inadequate remedy of an action for damages for breach of the promise.

Id. at 600.

[6—8] Both *Ventura* and *Fawcett* rely on a premise that, in regard to licensing agreements made prior to 1978, those rights not transferred to the licensee are retained by the copyright proprietor. *See also Manners v.*

Morosco, 252 U.S. 317, 40 S.Ct. 335, 64 L.Ed. 590 (1920). At the same time, however, a licensee is viewed as the licensor's agent. See *First American Artificial Flowers, Inc. v. Markovits, Inc.*, 342 F.Supp. 178 (S.D.N.Y.1972); 2 *Nimmer on Copyright* § 7.03. The copyright owner is deemed responsible for the negligent omissions of the licensee unless the distribution was without the authority of the licensor.⁴ The potentially conflicting results indicated by these statements have been avoided by finding an implied condition to the licensing agreement requiring the licensee to take actions to protect the rights retained by the licensor.⁵ Therefore, when the licensor has not manifested an intent to dedicate his copyright to the public domain,⁶ yet the licensee has failed to affix notice adequate to protect the licensor's copyright, the courts have consistently found that the licensee was acting without authority of the licensor in distributing the copyrighted material. See, e.g., *Judscott Handprints, Ltd. v. Washington Wall Paper Company, Inc.*, 377 F.Supp. 1372 (E.D.N.Y.1974); *National Council of Young Israel, Inc. v. Feit Company, Inc.*, 347 F.Supp. 1293 (S.D.N.Y.1972); see also *H. M. Kolbe Co. v. Arm-gus Textile Co.*, 315 F.2d 70, 73-75 (2d Cir. 1963); *Greeff Fabrics, Inc. v. Malden Mills Industries, Inc.*, 412 F.Supp. 160 (S.D.N.Y.1976), *aff'd*, 556 F.2d (2d Cir. 1979.)

We are not able to conclude from the district court's written findings whether it fully considered plaintiff's argument for the existence of an implied condition precedent. We also entertain some doubt as to whether, because of the factual nature of the inquiry, we can resolve this issue on appeal. We do not, however, find it necessary to remand this case to the district court for further factual determinations, as our resolution of the

⁴Pickwick argues that the *error* in copyright notice was without the authority of Fantastic, and Fantastic's copyright is therefore not jeopardized regardless of whether a condition of adequate notice is found. Pickwick fails to appreciate the distinction between the distribution of copyrighted material under a license and authorization of an error in copyright notice. Only where the *distribution* of copyrighted material is unauthorized, will the copyright owner be protected from errors and omissions in the affixed copyright notice. Compare 17 U.S.C. §§ 401(a), 402(a) with 17 U.S.C. § 405(a)(3); see also *Greeff Fabrics, Inc. v. Malden Mills Industry*, 412 F.Supp. 160 (S.D.N.Y.1976); *Judscott Handprints, Ltd. v. Washington Wall Paper Co.*, 377 F.Supp. 1372 (E.D.N.Y.1974).

⁵The Supreme Court has also found an implied covenant in interpreting a copyright licensing agreement. In *Manners v. Morosco*, 252 U.S. 317, 40 S.Ct. 335, 64 L.Ed. 590 (1920), the Court found an implied negative covenant on the part of a copyright licensor not to use the ungranted portion of the copyright to the detriment of the licensee's interest under the licensing agreement.

⁶A copyright can only be abandoned through some overt act which indicates the copyright proprietor's desire to surrender its rights. *Hampton v. Paramount Pictures Corp.*, 279 F.2d 100 (2d Cir. 1960); *Metro-Goldwyn-Mayer, Inc., v. Showcase Atlanta Cooperative Products, Inc.*, 479 F.Supp. 351 (N.D.Ga.1979). A forfeiture may, however, occur regardless of the copyright owner's intent to preserve the copyright. A forfeiture is imposed "invitum because of [the copyright proprietor's] failure to comply with the prescribed formalities." *National Comics Publications v. Fawcett Publications*, 191 F.2d 594 (2d Cir. 1951).

third and final question before us renders further court action on the preceding issue unnecessary.

D. Breach of Condition of Adequate Notice.

As compared to section 2(b), which required affixation of a particular copyright notice, any condition that may be implied to the parties' agreement requires only the presence of *adequate* notice—i. e. notice sufficient to prevent the forfeiture of Fantastic's copyright. We must, therefore, decide whether under the facts of the instant case a licensee's mistaken designation of itself as copyright proprietor would render the copyright notice ineffective to preserve the validity of the licensor's copyright.⁷

This question is clearly answered in section 406(a) of the 1976 Copyright Act, 17 U.S.C. § 406(a) (1978), which provides in part: "Where the person named in the copyright notice on copies of phonographs publicly distributed by *authority of* the copyright owner is not the owner of the copyright, the validity and ownership of the copyright are not affected." [emphasis added]. An error in name in publications made prior to January 1, 1978, will not, however, be excused under section 406(a) since the present Act was not yet in effect. The provisions of the 1909 Act and accompanying case law are controlling as to the breach of any implied condition in the instant case.

The 1909 Copyright Act does not contain any provision comparable to section 406(a) of the current Act.⁸ The "form of notice" requirements set forth in section 19 of the old Act, ch. 320, § 19, 35 Stat. 1075,⁹ were in-

⁷Resolution of this question is not encompassed by the admonition that federal courts are not empowered to issue advisory opinions. *FCC v. Pacifica Foundation*, 438 U.S. 726, 98 S.Ct. 3025, 57 L.Ed.2d 1073 (1978). The question of whether Pickwick's negligent omission could result in forfeiture of Fantastic's copyright is "precisely framed and necessary for [our] decision . . ." *United States v. Fruehauf*, 365 U.S. 146, 157, 81 S.Ct. 547, 553, 5 L.Ed.2d 476 (1961). Additionally, the parties to this action clearly have taken adversarial positions in arguing this question, although Fantastic has been required to make claims that would usually be antithetical to its status as copyright proprietor. See also *County of Ventura v. Blackburn*, 362 F.2d 515 (9th Cir. 1966) (court held that implied condition was breached by failure of license to affix any notice).

⁸The only provision under the 1909 Copyright Act addressing the question of either defective or omitted copyright notice is section 21. Ch. 320, § 21, 35 Stat. 1075. That provision only addresses the situation where there has been a total omission of notice from "a particularly copy or copies." The situation contemplated by section 21 arises when, through a manufacturing error, a small percentage of goods are published without copyright notice.

⁹Section 19 of the 1909 Copyright Act provides in part:

Notice; Form—The notice of copyright required by section 10 of this title shall consist either of the word "Copyright", the abbreviation "Copr.", or the symbol ©, accompanied by the name of the copyright proprietor, and if the work be a printed literary, musical, or dramatic work, the notice shall include also the year in which the copyright was secured by publication.

tended “to inform the public of the existence of the copyright, the time of commencement, and by whom it is claimed; and to prevent innocent persons who are unaware of the existence of the copyright from suffering by making use of the material.” *Harry Alter Co. v. Graves Refrigeration, Inc.*, 101 F.Supp. 703, 705 (N.D.Ga.1951). As to the requirement that notice include “the name of the copyright proprietor,” courts have generally avoided technical forfeitures for failure to strictly comply with the provision, focusing instead on whether the purpose of the notice requirement was served despite the defect in the notice provided. *See e.g., Goodis v. United Artist Television, Inc.*, 425 F.2d 397 (2d Cir. 1970); *Tennessee Fabricating Co. v. Moultrie Manufacturing Co.*, 421 F.2d 279 (5th Cir. 1970); *Uneeda Doll Co. v. Goldfarb Novelty Co.*, 373 F.2d 851 (2d Cir. 1967); *Gelles-Widmer Co. v. Milton Bradley Co.*, 313 F.2d 143, 147 (7th Cir. 1963).

In *Tennessee Fabricating Co.*, this court specifically rejected a literal application of section 19 stating that “it is not necessary that the owner’s true name be used at all so long as a name with which it is identified is used and no innocent persons are misled.” 421 F.2d at 283. Similarly, the Seventh Circuit has excused the use of a subsidiary’s name when the parent corporation was the actual copyright proprietor and “the interests of the two corporations were precisely the same . . .” 313 F.2d at 147. Finally, the Second Circuit in *Goodis*, after noting the liberalizing nature of the then proposed new copyright law, held that “where a magazine has purchased the right of first publication under circumstances which show that the author has no intention to donate his work to the public, copyright notice in the magazine’s name is sufficient to obtain a valid copyright on behalf of the beneficial owner, the author or proprietor.” 425 F.2d at 399.

[9] Extending the principles recognized in these cases, and in view of section 406(a) of the 1976 Copyright Act, we hold that under the facts of the case at bar Pickwick’s designation in the copyright notice of itself as copyright proprietor did not render the notice inadequate to protect Fantastic’s copyright ownership—i. e. the defect did not result in the breach of an implied condition of adequate notice. The claim of copyright placed on Fantastic’s material, although defective, clearly notified the public of the existence of a claim of copyright. Further, the record demonstrates that while the relationship between Pickwick and Fantastic is technically merely that of a licensor and licensee, the practical association between the parties renders de minimus any possibility that third parties will be misled. Pickwick is not claiming a copyright interest in the material covered by the licensing agreement, and is clearly aware of Fantastic’s copyright proprietorship. Fantastic has been unable to show any instance where someone has been misled into licensing Fantastic’s material from Pickwick. In fact, the record reveals that all the inquiries made to Pickwick concerning the material have been referred to Fantastic. Finally, Pickwick has agreed

to make additional efforts to prevent any future confusion, including correcting the defective notice on any phonorecordings still in its inventory.

III. CONCLUSION

In accordance with the foregoing discussion, we affirm the district court's dismissal of Counts I and III in the instant action.

AFFIRMED.

FILMVIDEO RELEASING CORPORATION, Plaintiff, v. **David R. HASTINGS, II**, as Administrator With Will Annexed of the Estate of Clarence E. Mulford, Defendant, and

David R. Hastings, II, and Peter G. Hastings, as Trustees of the Inter Vivos Trust and of the Testamentary Trust Created by Clarence E. Mulford, Intervenor

No. 75 Civ. 2248 (HFW)

(United States District Court, S. D. New York—January 21, 1981—As Amended February 2, 1981)

509 F.Supp. 60. 212 USPQ 195

[See also 426 F.Supp. 690, 193 USPQ 305, 41 C.O.Bull. 265 (S.D.N.Y., Oct. 20, 1976); 446 F.Supp. 725, 42 C.O.Bull. 272 (S.D.N.Y., Mar. 17, 1978); 594 F.2d 852 (2d Cir.—*Affirmed without published opinion*, Dec. 1, 1978); 517 F.Supp. 66, and *infra* (S.D.N.Y., Apr. 6, 1981); 668 F.2d 91, 218 USPQ 750, and *infra* (2d Cir.—*Affirmed in part and reversed in part*, Dec. 11, 1981)]

Action was brought seeking declaratory judgment permitting plaintiff to license for television exhibition 23 motion pictures concerning the character Hopalong Cassidy. Defendant and intervenors whose predecessor in interest was author of Hopalong Cassidy books counterclaimed seeking injunctive relief and damages for copyright infringement. Trial of substantive issues was bifurcated. Following trial on counterclaim, the District Court, Werker, J., held that the "Hopalong Cassidy Motion Pictures" constituted infringements of the "Hopalong Cassidy Books" as titles of books and pictures were either identical or strikingly similar, overall mood, message, general theme and total concept of the books and pictures was similar, producers of the pictures had access to the 26 novels, character development of characters in the movies was substantially similar to character development of the

same characters in the books and overall series of books and specified characters in books were sufficiently delineated, developed and well known to the public to be copyrightable, with use thereof constituting infringement irrespective of and independent of story line.

Complaint dismissed; judgment for intervenor on counterclaim.

1. Copyrights and Intellectual Property

Test of infringement in cases involving dramatization of a book is whether the part so taken is substantial and therefore not a "fair use" of the copyright with subsidiary questions on issue of substantiality being whether the alleged infringers had access and whether there was copying.

2. Copyrights and Intellectual Property

The "Hopalong Cassidy Motion Pictures" constituted infringements of the "Hopalong Cassidy Books" as titles of books and pictures were either identical or strikingly similar, overall mood, message, general theme and total concept of the books and pictures was similar, producers of the pictures had access to the 26 novels, character development of characters in the movies was substantially similar to character development of the same characters in the books and overall series of books and specified characters in books were sufficiently delineated, developed and well known to the public to be copyrightable, with use thereof constituting infringement irrespective of and independent of story line.

Howard Gotbetter, New York, City for plaintiff.

Burns, Jackson, Miller, Summit & Jacoby, New York City, for defendants; Engel & Engel, Donald S. Engel, Beverly Hills, Cal., of counsel.

OPINION

WERKER, *District Judge*. Plaintiff commenced this action to obtain a declaratory judgment permitting it to license for television exhibition 23 motion pictures concerning the character Hopalong Cassidy (the "Hopalong Cassidy Motion Pictures"). Plaintiff contended that both the Hopalong Cassidy Motion Pictures and 26 books written by Clarence E. Mulford, (the "Hopalong Cassidy Books"), were in the public domain for all purposes. The defendant and Intervenor whose predecessor in interest is Clarence E. Mulford, counterclaimed against plaintiff seeking injunctive relief and damages for copyright infringement on the ground that the motion pictures were based upon the books.

It was agreed by the parties that trial of the substantive issues would be bifurcated with a trial on the issue of damages to follow trial of the substantive questions if necessary.

At the first trial which dealt with two of the three substantive issues it was decided:

(1) That Clarence E. Mulford had validly and effectively reserved to himself all television rights in the Hopalong Cassidy Books and retained all television rights in the Hopalong Cassidy Motion pictures.

(2) That the United States renewal copyrights in the Hopalong Cassidy Books were duly and properly secured and defendants and Intervenor are the proprietors

of the presently valid and subsisting United States renewal copyrights in the Hopalong Cassidy Books.

446 F.Supp. 725 (S.D.N.Y.1978).¹ This judgment of the Court was affirmed on appeal by the Second Circuit.²

The complaint is now dismissed. This decision results from the trial of the counterclaim asserted by defendant and Intervenor that the Hopalong Cassidy Motion Pictures constitute infringements of the copyrights in the Hopalong Cassidy Books. The prior judgment and this decision will, by stipulation contained in the pretrial order, dispose of a companion case, *Filmvideo Releasing Corp. v. William Boyd Enterprises*, 75 Civ. 2394 (HFW).

The counterclaim was tried as a bench trial on December 10, 11 and 12, 1979. Since that time I have been engaged in reading portions of depositions and the 26 novels (8363 pages) and viewing the 23 motion pictures (almost 27 hours of viewing). (See appendix A annexed hereto which is defendant's exhibit ZZ with time and pages added). The following are my findings of fact and conclusions of law pursuant to Rule 52(a) of the Federal Rules of Civil Procedure.

FACTS

From 1907 to 1935 Clarence E. Mulford wrote a series of novels and short stories based upon characters and events in the cattle ranch country of the old west. These novels and short stories were published in 26 original books (the Hopalong Cassidy Books).

On February 27, 1935, Mulford granted the right to make a series of motion pictures taken from or based upon the Hopalong Cassidy Books to Prudential Studios Corporation. The pictures produced pursuant to this grant of rights between 1935 and 1939 became the Hopalong Cassidy Motion Pictures which are the subject of this action.

By agreement dated June 3, 1937 between Mulford and Este Products Inc. (Este), Mulford granted to Este certain rights as contained in that document. The agreement dated February 27, 1935 between Mulford and Prudential later was supplemented by letter agreement dated July 13, 1938, between Doubleday Doran & Company Inc. and Este Productions, Inc.

The copyrights in the Hopalong Cassidy Motion Pictures were not renewed and have expired. The pictures are now in the public domain. Renewal copyrights to the Hopalong Cassidy Books, on the other hand,

¹Further definition of the issues is contained in a decision denying a plaintiff's motion for summary judgment, 426 F.Supp. 690 (1976). Reader familiarity with the prior opinions in this case will be assumed.

²*Filmvideo v. Hastings*, 594 F.2d 852 (2d Cir. 1978).

were duly and properly secured. They currently are valid and subsisting. The defendant and Intervenor are the proprietors of these renewal copyrights.

Defendant, Intervenor and their licensee, William Boyd Enterprises ("Boyd Enterprises") have used and exploited these copyrights and their other exclusive rights in the books to create, promote, sell, license and distribute on an exclusive basis for some thirty years the television exhibition of the Hopalong Cassidy Motion Pictures and various items and products based thereon. The television exhibition of the Hopalong Cassidy Motion Pictures and the licensing and sale of products and items associated with the copyrighted books and the character Hopalong Cassidy have achieved great prominence throughout the United States and elsewhere and constitute valuable property rights to the defendant, Intervenor and Boyd Enterprises. Since the interests of defendant, the Intervenor and their licensee, Boyd Enterprises, are identical in this lawsuit I hereafter will refer to them as "Boyd" and to plaintiff as "Filmvideo."

Filmvideo has licensed and is attempting to license the Hopalong Cassidy Motion Pictures for distribution and exhibition by means of television. It is in possession of negatives and other physical materials respecting each of the motion pictures. Boyd is attempting to prevent Filmvideo from licensing and securing licensees for the television exhibition of the Hopalong Cassidy Motion Pictures.

The question to be determined here is whether the Hopalong Cassidy Motion Pictures constitute infringements of the copyrights in the Hopalong Cassidy Books.

[1] The test of infringement in cases involving the dramatization of a book is: "Whether the part so taken is 'substantial' and therefore not a 'fair use' of the copyright." *Nichols v. Universal Pictures Corp.*, 45 F.2d 119, 121 (2d Cir. 1930). The subsidiary questions that must be considered in determining if a taken part is substantial are whether the alleged infringers had access and whether there was copying.

Obviously, there will be some differences between a motion picture and the book upon which it is based because of differences in the nature of the medias. In adapting a book to a motion picture it is necessary to breathe life into a limited number of characters by giving them speeches and actions that will convey the same or a similar message, within a circumscribed period of time.

With respect to most of the books here involved, this meant compressing over 300 pages into 65 minutes. As a consequence of this process, some of the speeches and actions which may have been attributed to a number of characters in the books were transferred to one or more characters in the pictures. In other instances, roles were completely eliminated with the action of another narrated into the script by one character.

In addition to an analysis of whether there was a substantial similarity of story line, I have tested these motion pictures against the substantial similarity of characterization because that too was licensed by Mulford in 1973. It appears that original story lines were introduced at that time using Mulford's characters.

[2] There are at least four areas in which I have no difficulty in finding infringement of a substantial nature in this case. They are:

1. The use of character names and the development of characters in the books and movies.
2. The use of songs throughout the movies and in the books.
3. The extensive use of outdoor descriptions in the books and the use of what can only be called scenic shots in the pictures.
4. The extensive use of the names of places and towns in the movies as well as the books.

The producers of the Hopalong Cassidy Motion Pictures utilized the services of one or more screenwriters to prepare each of the screen plays for the Hopalong Cassidy Motion Pictures. (Exhibits Y and AA; Testimony of witnesses Trop, Stabler, Geraghty and Rachmil). These screenwriters had access to the novels. (Testimony of witnesses Stabler and Geraghty). They were hired by the producers to, and did dramatize and adapt the material contained in the Hopalong Cassidy Books to screenplays which would be appropriate for the making of popular motion pictures. (Exhibits Y, Z, AA, BB and SS; Testimony of witnesses Geraghty, Stabler and Trop).

Some matter was copied by them from the Hopalong Cassidy Books when writing the screenplays used to produce some of the Hopalong Cassidy Motion Pictures and, in all of the pictures, well developed characters from the books were used. [Exhibits Y, Z, AA, BB and SS; Testimony of witnesses Geraghty, Stabler and Trop).

There is no question that the producers of the pictures had access to the 26 novels of the author. An examination of the pictures reveals that there are only two in which no credit is given (17, *Heart of Arizona*; 18, *Bar 20 Justice*). The credits are usually "Clarence E. Mulford's (name of picture)". Sometimes including "Adopted from (name of book)" or "Based on the story (*title*) by Clarence E. Mulford." or "Based on characters created by Clarence E. Mulford." (See Appendix B annexed hereto compiled by the Court).

The titles of each of the Hopalong Cassidy Motion Pictures are either identical to, strikingly similar to or suggestive of one or more titles of the Hopalong Cassidy Books. (Exhibits X, Y, AA and WW). Furthermore, the titles of most of the Hopalong Cassidy Motion Pictures in the aggregate are indistinguishable to the ordinary observer from the titles to the Hopalong Cassidy Books. (Exhibits X, Y, AA and WW).

All of the Hopalong Cassidy Motion Pictures take place in the same general setting in the cattle ranch country of the old west and in similar places and locales as those described in the Hopalong Cassidy Books. (Exhibits X, Y, AA and WW; Testimony of witness Geraghty). Each of the Hopalong Cassidy Motion Pictures contains scenes which take place in, and contains dialogue which refers to, numerous places and locations described in the Hopalong Cassidy Books. In most cases, place names and designations identical to or strikingly similar to those used in the Hopalong Cassidy Books are used. (Exhibits X, Y, AA and WW; Testimony of witness Geraghty).

The overall mood, message, general theme and total concept of all of the Hopalong Cassidy Motion Pictures is similar to the overall mood, general theme and total concept of all of the Hopalong Cassidy Books. (Exhibits X, Y, AA and WW; Testimony of witness Geraghty).

There are numerous examples of similarities of incidents, situations, sub-plots, details, points of suspense and interest, subclimaxes and climaxes between each of the Hopalong Cassidy Books and the movies. (Exhibits X, Y, AA and WW; Testimony of witness Geraghty). The Hopalong Cassidy Motion Pictures look and sound like the images conveyed by the words contained in the Hopalong Cassidy Books. (Exhibits X, Y, AA and WW). The Hopalong Cassidy Motion Pictures appear to the ordinary observer to be substantially similar to, and to be taken from, the Hopalong Cassidy Books. (Exhibits X, Y, AA and WW).

The 23 Hopalong Cassidy Motion Pictures which plaintiff has licensed and is attempting to license are the Hopalong Cassidy Motion Pictures created and produced as aforesaid. (Exhibits Y, Z, AA, BB, DD, MM through SS, VV, WW, XX; Testimony of witness Cherry).

The producers of the Hopalong Cassidy Motion Pictures utilized the services of directors, performers and others who contributed their creative efforts to the dramatization of the Hopalong Cassidy Books. (Exhibits Y, Z, AA, BB, DD and SS; Testimony of witnesses Geraghty, Stabler and Trop). As a result of the input of these talents and the necessity of compressing the books into little more than one hour motion pictures it was necessary to transfer identities of characters. As Stabler testified, you couldn't bring them all to life and have them all talking in the time limited. (Tr. p. 59).

Each of the Hopalong Cassidy Motion Pictures utilizes, to a greater or lesser extent, some of the characters that appear in the Hopalong Cassidy Books. (Exhibits X, Y, AA and WW). Some of the Hopalong Cassidy Motion Pictures derive virtually all of their characters from one Hopalong Cassidy Book, others derive virtually all of their characters from more than one of the Hopalong Cassidy Books and others derive their main characters from one or more of the Hopalong Cassidy Books. (Exhibits X, Y, AA and WW).

In most instances, the characters in the Hopalong Cassidy Motion Pictures are designated by the identical names used in the Hopalong Cassidy Books. In some instances, the characters in the Hopalong Cassidy Motion Pictures bear names of other characters in the Hopalong Cassidy Books, and, less often, the characters in the Hopalong Cassidy Motion Pictures bear names different from those used in the books although sometimes in such cases the characterizations are nonetheless taken from the Hopalong Cassidy Books. (Exhibits X, Y, AA and WW).

All of the Hopalong Cassidy Motion Pictures utilize the character "Hopalong Cassidy" which character appears in most of the Hopalong Cassidy Books. (Exhibits X, Y, AA and WW; Testimony of witness Geraghty). The portrayal of the character "Hopalong Cassidy" in the Hopalong Cassidy Motion Pictures is, to the ordinary observer, substantially similar to the character "Hopalong Cassidy" in the Hopalong Cassidy Books and both characters exhibit the same basic traits. (Exhibits X, Y, AA and WW).

The portrayal of other characters taken from the Hopalong Cassidy Books in the Hopalong Cassidy Motion Pictures is strikingly similar to the original characterizations in the Hopalong Cassidy Books, taking into account the differences inherent in the two media, and are indistinguishable to the ordinary observer. (Exhibits X, Y, AA and WW; Testimony of witness Geraghty).

The character development of all characters in each of the Hopalong Cassidy Motion Pictures, and the character development of the major characters who appear throughout the Hopalong Cassidy Motion Pictures, is substantially similar to the character development of the same characters in the individual Hopalong Cassidy Books and in the overall series of Hopalong Cassidy Books. (Exhibits X, Y, AA and WW; Testimony of witness Geraghty).

The character of Hopalong Cassidy really was forged in the book *Hopalong Cassidy 1910* and the *Coming of Cassidy 1906*. It was continued and developed through the whole series. Cassidy could best be described as a "diamond in the rough." He was quick tempered and given to cuss words which were restricted to d_____ and h_____l in Mulford's books. Mulford seldom if ever spelled out the cuss words which in today's fiction would be considered everyday speech. The depiction of Cassidy by Boyd as conceptualized by Sherman was simply Cassidy turned inside out. The kind, sentimental, thinking person became exposed to public view through the motion picture media. As a consequence, I cannot find that the Cassidy shown in the motion pictures was that different from the character in the books. The age differential pointed out by Robert Stabler was dependent upon the attractiveness of the character from a visual standpoint rather than what was written in the novel. (Tr. p. 63).

Only four of the books have pictures of the characters. Three of the four pictures are of Hopalong. Each of these is different. They are contained in: (1) *The Coming of Cassidy 1908*; (2) *Buck Peters Ranchman 1912*; (3) *Bar 20 1906*. The fourth picture is a portrait of Johnny Nelson in *Johnny Nelson 1920*. The picture submitted by Filmvideo's expert to show the difference between Boyd's Hoppy and Filmvideo's Hoppy is equally different from the other two illustrations contained in the books.

Filmvideo, in its contention that there is not a substantial use of material from the books, points to certain differences in the characterization of Hopalong Cassidy, Lucky Jenkins and Johnny Nelson. As Judge Learned Hand has commented, however, "no plagiarist can excuse the wrong by showing how much of his work he did not pirate." *Sheldon v. Metro-Goldwyn Pictures Corporation*, 81 F.2d 49, 56 (2d Cir. 1936). Furthermore, Filmvideo does not appear to recognize that it makes no difference how far the work was anticipated by works in the public domain which Boyd did not use and it has "filled the record with earlier instances of the same dramatic incidents and devices as though, like a patent, a copyrighted work must be not only original but new." (*Id.* p. 53).

There is no question that the novels were well written and that they often involved dual functions. Nor is there much question that they are the "Tiffany of that genre for that period." (Stabler Tr. p. 57). None of this comment nor the obvious bias of both the expert for Filmvideo and Boyd has assisted the court in ascertaining whether the motion pictures are substantially similar to the novels.

Based upon my methodology³ which involved reading the book or books, viewing the picture and reviewing the information furnished by the experts for both litigants I find that insofar as the story line is concerned there is no substantial similarity with respect to books 9, 10, 11, 14, 15, 16, 17, 18, 19, 20, 21, 23 (Defendant's Exhibit ZZ, Appendix A annexed hereto).

I find that as of the June 3, 1937 agreement between Mulford and Este, it in effect was agreed that Mulford's characters Hopalong, Windy (in whatever form), Johnny and Lucky could be used in connection with original material to be created by the screen writers. (See Trop dep. pp. 34, 36). In my opinion, these characters and others were sufficiently delineated, developed and well known to the public to be copyrightable. The use of these characters for the purposes intended by Filmvideo therefore would constitute infringement with respect to the above numbered films irrespective and independent of the similarity of the story line. (See the seminal suggestion of Judge Hand in *Nichols v. Universal*

³I specifically find that the precis of the novels and motion pictures made by Mr. Nevins are a fair and reasonable representation of what is depicted in both media. I commend them to a reviewing authority as such in the stead of the arduous reading of the 26 books.

Pictures Corp., 45 F.2d 119 (2d Cir. 1930)); 1 M. Nimmer, *The Law of Copyright* § 2.12 p. 2-167, *et seq.* (1980).

With respect to the remaining films namely 1, 2, 3, 4, 5, 6, 7, 8, 12, 13 and 22, I find that there is a substantial similarity in the storyline and otherwise and that they infringe the books' copyrights. (Defendant's Exhibit ZZ) Appendix A annexed hereto.

I consequently find that the Hopalong Cassidy Motion Pictures constitute infringements of the Hopalong Cassidy Books.

Filmvideo is enjoined from using or licensing any of the 23 motion pictures for viewing in general or on television or homeviewing via cassettes.

A Judgment in favor of Boyd shall be entered upon notice within 10 days from the date of this decision. Said judgment shall contain *inter alia* a reference to a Magistrate to hear and determine damages and attorneys fees and a stay pending appeal.

SO ORDERED.

DEFENDANT'S EXHIBIT ZZ

APPENDIX A.

PR #	DATE	TITLE OF MOTION PICTURE	MIN.	CPR DATE	TITLE OF MULFORD BOOK	PAGES	SCREENPLAY WRITERS
1.	1935	HOPALONG CASSIDY ENTERS	56	1910	HOPALONG CASSIDY	392	Doris Schroeder-Harrison Jacobs
2.	1935	THE EAGLE'S BROOD	65	1931	HOPALONG CASSIDY and the EAGLE'S BROOD	320	Doris Schroeder-Harrison Jacobs
3.	1935	BAR 20 RIDES AGAIN	66	1926	THE BAR 20 RIDES AGAIN	337	Doris Schroeder-Gerald Geraghty
4.	1936	CALL OF THE PRAIRIE	65	1926	HOPALONG CASSIDY'S PROTEGE	320	Doris Schroeder-Vernon Smith
5.	1936	THREE ON THE TRAIN	65	1921	THE BAR 20 THREE	317	Doris Schroeder-Vernon Smith
6.	1936	HEART OF THE WEST	65	1932	MESQUITE JENKINS, TUMBLEWEED	317	Doris Schroeder
7.	1936	HOPALONG CASSIDY RETURNS	56	1924	HOPALONG CASSIDY RETURNS	310	Harrison Jacobs
8.	1936	TRAIL DUST	79	1934	TRAIL DUST	311	Al Martin
9.	1937	BORDERLAND	84	1922	BRING ME HIS EARS	350	Harrison Jacobs
10.	1937	HILLS OF OLD WYOMING	81	1933	THE ROUND UP	312	Maurice Geraghty
11.	1937	NORTH OF THE RIO GRANDE	70	1925	COTTONWOOD GULCH	340	Jack O'Donnell
12.	1937	RUSTLER'S VALLEY	62	1924	RUSTLER'S VALLEY	333	Harry O. Hoyt
13.	1937	HOPALONG RIDES AGAIN	67	1923	BLACK BUTTES	318	Norman Houston
14.	1937	TEXAS TRAIL	61	1922	"TEX"	323	Jack O'Donnell
15.	1937	PARTNERS OF THE PLAINS	73	1918	THE MAN FROM BAR 20	319	Harrison Jacobs-Gerald Geraghty
16.	1938	CASSIDY OF BAR 20	61	1929	ME AN' SHORTY	285	Norman Houston
17.	1938	HEART OF ARIZONA	71	1930	THE DEPUTY SHERIFF	296	Norman Houston
18.	1938	BAR 20 JUSTICE	68	1912	BUCK PETERS, RANCHMAN	367	Arnold Belgarde-Harrison Jacobs
19.	1938	PRIDE OF THE WEST	56	1920	JOHNNY NELSON	354	Nate Watt
20.	1938	IN OLD MEXICO	63	1927	CORSON OF THE JC	340	Harrison Jacobs
21.	1938	SUNSET TRAIL	70	1928	MESQUITE JENKINS	306	Norman Houston
22.	1938	THE FRONTIERSMEN	76	1907	BAR 20	382	Norman Houston
23.	1939	SILVER ON THE SAGE	70	1935	ON THE TRAIL OF THE TUMBLING T	315	Maurice Geraghty
24.					THE COMING OF CASSIDY	438	
25.					BAR 20 DAYS	412	
26.					HOPALONG CASSIDY TAKES CARDS	269	

APPENDIX B

FILM CREDITS

1. Clarence E. Mulford's "Hopalong Cassidy Enters."
 2. Clarence E. Mulford's "The Eagle's Brood."
 3. Clarence E. Mulford's "Bar 20 Rides Again."
 4. Clarence E. Mulford's "Call of the Prairie."
 5. Clarence E. Mulford's "Three on the Trail," adopted from Clarence E. Mulford's "Bar 20 Three."
 6. Clarence E. Mulford's "Heart of the West," adopted from Clarence E. Mulford's "Mesquite Jenkins Tumbleweed."
 7. "Hopalong Cassidy Returns" based on the story by Clarence E. Mulford.
 8. Clarence E. Mulford's "Trail Dust."
 9. Clarence E. Mulford's "Borderline" based on the story "Bring Me His Ears" by Clarence E. Mulford.
 10. Clarence E. Mulford's "Hills of Old Wyoming" based on the story "The Round up" by Clarence E. Mulford.
 11. Clarence E. Mulford's "North of the Rio Grande" based on the Mulford Story "Cottonwood Gulch."
 12. Clarence E. Mulford's "Rustler Valley."
 13. Clarence E. Mulford's "Hopalong Rides Again" based on Clarence E. Mulford's story "Black Buttes."
 14. "Texas Trail" based on Clarence E. Mulford's Story "Tex."
 15. Clarence E. Mulford's "Partners of the Plains" based on the Mulford Story "The Man from the Bar 20."
 16. Clarence E. Mulford's "Cassidy of the Bar 20" based on the Mulford story "Me An' Shorty."
 17. "Heart of Arizona," no credit.
 18. "Bar 20 Justice," no credit.
 19. Clarence E. Mulford's "Pride of the West" based on characters created by Clarence E. Mulford.
 20. Clarence E. Mulford's "In Old Mexico" based on characters created by Clarence E. Mulford.
 21. "Sunset Trail" based on characters created by Clarence E. Mulford.
 22. "The Frontiersmen" based on characters created by Clarence E. Mulford.
 23. "Silver on the Sage" based on characters created by Clarence E. Mulford.
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FILMVIDEO RELEASING CORPORATION, Plaintiff, v. **David R. HASTINGS, II**, as Administrator with Will Annexed of the Estate of **Clarence E. Mulford**, Defendant, and

David R. Hastings, II, and **Peter G. Hastings**, as Trustees of the **Inter Vivos Trust** and of the **Testamentary Trust Created by Clarence E. Mulford**, Intervenor

No. 75 Civ. 2248 (HFW)

(United States District Court, S. D. New York—April 6, 1981)

517 F.Supp. 66

[See also 426 F.Supp. 690, 193 USPQ 305, 41 C.O.Bull. 265 (S.D.N.Y., Oct. 20, 1976); 446 F.Supp. 725, 42 C.O.Bull. 272 (S.D.N.Y., Mar. 17, 1978); 594 F.2d 852 (2d Cir.—*Affirmed without published opinion*, Dec. 1, 1978); 509 F.Supp. 60, 212 USPQ 195, and *supra* (S.D.N.Y., Jan. 21, 1981—*As amended*, Feb. 2, 1981); 668 F.2d 91, 218 USPQ 750, and *infra* (2d Cir.—*Affirmed in part and reversed in part*, Dec. 11, 1981)]

Petitioners moved for order adjudging corporation and its president and sole stockholder in contempt of court by reason of their alleged willful failure to comply with previous judgment. The District Court, Werker, J., held that: (1) letter providing that seller would assign to buyer and buyer would purchase interest in certain motion pictures was ineffective to transfer interest in motion pictures, and (2) respondent corporation and its sole stockholder had to comply with previous order requiring them to deliver to petitioners infringing copies of certain motion pictures and other material; if respondents refuse to comply with order, sole stockholder and company, to whom respondents had allegedly attempted to transfer their interest infringing materials, would each be subject to a fine.

Ordered accordingly.

1. Corporations

Sales

Letter providing that seller would assign to buyer and buyer would purchase interest in certain motion pictures was ineffective to transfer interest in motion pictures in that language in letter merely provided that seller at some future date would sell and buyer would buy former's interest in motion pictures, documents lacked corporate seal of both contracting parties, and later letter evidenced intent that there was no binding agreement prior to that time; rather, letter merely amounted to letter of intent as to future contract contemplated by parties.

2. Contempt

The District Court ordered corporation and its sole stockholder to comply with previous order requiring them to deliver to petitioners infringing copies of certain motion pictures and other materials; if corporation refused to comply with order, sole stockholder and another company, to whom corporation had allegedly attempted to transfer their interest in infringing materials, would each be subject to fine. Fed. Rules Civ.Proc. Rule 70, 28 U.S.C.A.

Burns, Jackson, Summit, Rovins' & Spitzer, New York City, for plaintiff; Herbert P. Jacoby, New York City, of counsel.

Jeffrey L. Squires, Washington, D.C., for defendant.

WERKER, *District Judge*. Defendant and Intervenors ("Petitioners") have moved for an Order adjudging plaintiff Filmvideo Releasing Corporation and its President and sole stockholder Maurice Zouary, ("Respondents") in contempt of this Court pursuant to Fed.R.Civ.P. 70 by reason of their wilful failure to comply with the second decretal paragraph of the Judgment entered in this case on February 25, 1981. A hearing in this matter was held on April 6, 1981. Both Petitioners and Respondent presented evidence and called witnesses. My findings of fact and conclusions of law are as follows.

BACKGROUND

The judgment entered on February 25, 1981 directed Respondent to deliver certain materials to Petitioners within thirty (30) days from the date of the entry of judgment. They were:

all negatives, fine grains or positive prints, and all tapes, video cassettes and other material useful for the making of such negatives, positive prints, tapes, video cassettes and other forms of infringing copies of the 23 Hopalong Cassidy Motion Pictures in its possession or under its control or the possession or control of any of its subsidiaries or affiliates or which may hereafter come into its or their possession or control.

The judgment further provided that the provisions of the foregoing paragraph would be stayed pending appeal to the Second Circuit Court of Appeals in the event that Respondent filed a bond in the amount of \$50,000 with surety, conditioned on compliance with the foregoing provisions in the event that this Court's judgment is affirmed on appeal.

There is no dispute that a Notice of Appeal has been filed by Respondent and that a Bond in the amount of \$50,000 has not been filed. Indeed, Respondent testified that his attempt to secure a Bond from the Blakie Company was unsuccessful because he was unable to post collateral. Under the terms of the Judgment, if Respondent failed to post bond pending appeal, it was required to turn over all negatives and other materials useful for making infringing copies of the 23 Hopalong Cassidy Motion Pictures. This Respondent has not done.

DISCUSSION

At the hearing of April 6, 1981 respondent stated that it transferred or attempted to transfer its interests in the Hopalong Cassidy Motion Pic-

tures to at least three other corporations. The first agreement was executed in or about 1973, between Filmvideo and a corporation by the name of Conceptual Dynamics. Under this agreement, Conceptual Dynamics obtained a one-third interest in profits secured by Filmvideo in connection with the sale or license of 17 of the Hopalong Cassidy Motion Pictures. Mr. Zouary testified that he did not recall whether this agreement transferred an interest in negatives. The second agreement was one between Filmvideo and a California corporation which was interested in developing cassettes of the Hopalong Cassidy Motion Pictures for home video entertainment. The nature of this agreement was not sufficiently disclosed for the Court to determine whether it involved the transfer of negatives or other materials from which infringing copies of the films could be made.

The third agreement dated December 14, 1979 was between Filmvideo and Vanguard Film Corporation. The terms of this agreement provided that:

Seller will assign to Buyer and Buyer will purchase such Filmvideo interest in [the 23 Hopalong Cassidy Motion Pictures] for the amount of Ten (\$10) Dollars and other valuable considerations.

The other valuable consideration referred to above apparently was the cancellation of charges accrued as a result of Filmvideo's storage of negatives and other materials in connection with the 23 Hopalong Cassidy Motion Pictures at Vanguard's warehouse in Riviera Beach, Florida. This agreement was signed by Zouary on behalf of Filmvideo and C. Feltner, Jr. on behalf of Vanguard but did not contain the corporate seal of either Vanguard or Filmvideo.

On March 28, 1981, Zouary in his individual capacity and as President of Filmvideo Releasing Corporation affirmed that the text of the following letter of Vanguard Film Company, by its counsel Robert J. Levine, is a true and complete statement of the terms of the agreement entered by the parties on December 14, 1979. The March 28, 1981 letter provides in pertinent part:

This letter is to inform you that my client, Vanguard Film Company (hereinafter VFC) did purchase from Filmvideo Releasing Corporation (hereinafter FRC) on the 14th day of December, 1979, all rights, title and interest, if any, which FRC had at the time of said sale in any and all entertainment properties involving the character of Hopalong Cassidy.

. . . .

Pursuant to the terms of said Bill of Sale, any subsequently discovered or located physical properties, the rights to which were sold by FRC and VFC, are the sole property of VFC, not FRC.

At all times after said sale date, after a reasonable time for delivery to VFC, VFC has been in sole custody and control of all of FRC's physical assets and intangible right to said entertainment library.

. . . .

It should be noted that at no time from 1975, when this action was commenced in this Court were any of these purported transfers of interests in these films and negatives reported to the Court or in any way brought to the attention of the Court by Mr. Zouary. This was clearly an abuse of this Court by Zouary, and demonstrated an absolute incapability to understand the responsibility of the Court in this matter. Nor were these matters brought to the attention of counsel for Mr. Zouary during the pendency of the action, a circumstance which could involve the standing of his trial counsel in this Court. For that reason, the Court called counsel to the stand to exonerate him from any responsibility with respect to the abuse of this Court.

[1] I find that the December 14, 1979 letter was ineffective to transfer respondent's interests in the 23 Hopalong Cassidy Motion Pictures. First, the language in that agreement merely provided that Filmvideo at some future date would sell and Vanguard would buy the former's interest in the motion pictures. Second, the document lacked the corporate seal of both contracting parties. In my view, this letter merely amounted to a letter of intent as to a future contract contemplated by the parties, and did not suffice to create a present transfer of respondent's interests in the films as of December 14, 1979. *See generally Dunhill Securities Corporation v. Microthermal Applications, Inc.*, 308 F.Supp. 195 (S.D.N.Y.1969). The fact that the parties found it desirable or necessary to execute the letter of March 28, 1981 evidences their intent that there was no binding agreement prior to that time. By March 28, 1981, however, circumstances had changed and plaintiff was no longer in the position to transfer its interest in the films by reason of this Court's judgment entered on February 25, 1981. In addition to this, Zouary stated at a convention of the National Association of Television Program Executives in New York City in March, 1981 that he had not transferred any title or interest in the Hopalong Cassidy Motion Pictures to any corporation that was not a party to the litigation.

[2] Based on the foregoing, I conclude that any materials useful in the making of infringing copies of the 23 Hopalong Cassidy Motion Pictures that currently are stored at Vanguard's warehouse, must be turned over to Petitioners pursuant to the judgment of this Court entered on February 25, 1981 within five days from the entry of this decision. Should Respondent refuse to comply with this order, Mr. Zouary and Vanguard will each be subject to a fine of \$10,000. Respondent is further directed to reimburse Petitioners' attorneys for costs and counsel fees incurred in bringing this motion in the amount of \$1,000. *See Chas. Pfizer Co. v. Davis-Edwards Pharmacal Corp.*, 385 F.2d 533 (2d Cir. 1967). The judgment for attorney's fees is levied not only against Filmvideo but also against Mr. Maurice Zouary individually.

SO ORDERED.

FILMVIDEO RELEASING CORPORATION, Plaintiff-Appellant, v.
David R. HASTINGS, II, as Administrator with Will Annexed of the
Estate of Clarence E. Mulford, Defendant-Appellee

David R. Hastings, II, and Peter G. Hastings, Intervenor—Appellees

No. 1548, Docket 81-7236

*(United States Court of Appeals, Second Circuit—Argued August 10,
1981—Decided December 11, 1981)*

668 F.2d 91. 218 USPQ 750

[See also 426 F.Supp. 690, 193 USPQ 305, 41 C.O.Bull. 265 (S.D.N.Y., Oct. 20, 1976); 446 F.Supp. 725, 42 C.O.Bull. 272 (S.D.N.Y., Mar. 17, 1978); 594, F.2d 852 (2d Cir.—*Affirmed without published opinion*, Dec. 1, 1978); 509 F.Supp. 60, 212 USPQ 195, and *supra* (S.D.N.Y., Jan. 21, 1981—*As amended*, Feb. 2, 1981); 517 F.Supp. 66, and *supra* (S.D.N.Y., Apr. 6, 1981)]

An action was brought seeking a declaratory judgment permitting the plaintiff to license for television exhibition 23 motion pictures concerning the character Hopalong Cassidy. Defendant and intervenors whose predecessor in interest was the author of Hopalong Cassidy books counterclaimed seeking injunctive relief and damages for copyright infringement. Trial of substantive issues was bifurcated. Following trial on the counterclaim, the United States District Court for the Southern District of New York, Henry F. Werker, J., 509 F.Supp. 60, enjoined the plaintiff from using, selling, or licensing certain movies, directed delivery of prints and tapes to the successors in interest and the copyright holder and referred the computation of damages to a magistrate. Appeal was taken. The Court of Appeals, Van Graafeiland, Circuit Judge, held that a licensed, derivative, copyrighted work and the underlying copyrighted matter which it incorporated did not both fall into the public domain where the underlying copyright had been renewed but the derivative copyright had not.

Judgment affirmed in part and reversed in part.

1. Copyrights and Intellectual Property

Licensed, derivative, copyrighted work and underlying copyrighted matter which it incorporates do not both fall into public domain where underlying copyright has been renewed but derivative copyright has not. 17 U.S.C. (1976 Ed.) § 7.

2. Copyrights and Intellectual Property

Since proprietor of derivative copyright cannot convey away that which he does not own, he cannot release that which he does not own into public domain. 17 U.S.C. (1976 Ed.) § 7.

3. Copyrights and Intellectual Property

In absence of proof that motion picture distributor did not have legal possession of films for his limited purpose of showing films abroad, it was abuse of discretion for district court to direct that films be turned over to successors in interest of holder of underlying copyright in action seeking declaratory judgment permitting exhibitor to license for television exhibition motion pictures which were licensed, derivative, copyrighted works.

Jeffrey L. Squires, Washington, D.C., (Jaffe, Squires & Foote and Peter Jaszi, Washington, D.C., on the brief), for plaintiff-appellant.

Herbert P. Jacoby, New York City (Burns, Jackson, Summit, Rovins & Spitzer and Donald S. Engel, New York City, on the brief), for defendant-appellee and intervenors-appellees.

Before VAN GRAAFEILAND and KEARSE, Circuit Judges and MARKEY, C.C.P.A.*

VAN GRAAFEILAND, *Circuit Judge*. [1] The principal question on this appeal is whether a licensed,¹ derivative, copyrighted work and the underlying copyrighted matter which it incorporates both fall into the public domain where the underlying copyright has been renewed but the derivative copyright has not. We agree with the Ninth Circuit, *Russell v. Price*, 612 F.2d 1123, 1126-29 (9th Cir. 1979), *cert. denied*, 446 U.S. 952, 100 S.Ct. 2919, 64 L.Ed.2d 809 (1980), that the answers is "No".

This is an appeal from a judgement of the United States District Court for the Southern District of New York, (Werker, J.), enjoining appellant from using, selling, or licensing certain Hopalong Cassidy motion pictures anywhere in the United States, directing appellant to transfer all of its prints, tapes and cassettes to appellees, and referring the computation of infringement damages and counsel fees to a magistrate. Because the facts have been fully set forth in three opinions by Judge Werker, reported at 426 F.Supp. 690, 446 F.Supp. 725 *aff'd without opinion*, 594 F.2d 852, and 509 F.Supp. 60, they will not be detailed herein. Briefly, however, the dispute is between the administrator c.t.a. of the estate of Clarence Mulford and the trustees of several Mulford trusts, on the one hand, and the present holder of Hopalong Cassidy movie prints, on the other. The movies were made and copyrighted by Paramount Pictures, Inc. under a 1935 licensing agreement between Mulford, author of the Hopalong Cassidy books, and Prudential Studios Corporation. The copyrights in the books were renewed; the copyrights in the movies were not. Although all television, broadcasting, and radio rights were specifically reserved to Mulford in the 1935 agreement, appellant contended unsuccessfully below that it was entitled to make free and untrammelled use of the movie prints in all media. Judge Werker's rejection of this argument brings the matter to this Court.

*Hon. Howard T. Markey, Chief Judge of the United States Court of Customs and Patent Appeals, sitting by designation.

¹The general rule under the 1909 Act was that a copyright was indivisible and could not be split up by assigning away separate rights out of the whole *Hirshon v. United Artists Corp.*, 243 F.2d 640, 643 (D.C.Cir.1957); *Keys Maps, Inc. v. Pruitt*, 470 F.Supp. 33, 38-39 (S.D.Tex. 1978); *First Financial Marketing Services Group, Inc. v. Field Promotions, Inc.*, 286 F.Supp. 295, 298 (S.D.N.Y.1968); 3 Nimmer on Copyrights § 10.01 (1980); Caterini, *Contributions to Periodicals*, 10 ASCAP Copyright Law Symposium 321, 330 (1959). Although, in *Goodis v. United Artists Television, Inc.* 425 F.2d 397, 399-403 (2d Cir. 1970), this Court indicated a willingness to recognize for some purposes the possibility of a "partial assignment", in this opinion we will use the term "license" instead of "partial assignment".

Section 6 of the 1909 Copyright Act, formerly codified at 17 U.S.C. § 7, provided in substance that derivative works produced with the consent of the underlying copyright owner should be regarded as new works subject to copyright, "but the publication of any such new works shall not affect the force or validity of any subsisting copyright upon the matter employed or any part thereof, or be construed to imply an exclusive right to such use of the original works, or to secure or extend copyright in such original works." Since 1909, the courts of this Circuit have held almost without exception that a derivative copyright is a good copyright only with regard to the original embellishments and additions it has made in the underlying work. See, e.g., *London v. Biograph Co.*, 231 F. 696, 698-99 (2d Cir. 1916); *American Code Co. v. Bensinger*, 282 F. 829, 834 (2d Cir. 1922); *G. Ricordi & Co. v. Paramount Pictures, Inc.*, 189 F.2d 469, 471 (2d Cir.), cert. denied, 342 U.S. 849, 72 S.Ct. 77, 96 L.Ed. 641 (1951); *Reyher v. Children's Television Workshop*, 533 F.2d 87, 89-90 (2d Cir. 1976); *Gilliam v. American Broadcasting Companies, Inc.*, 538 F.2d 14, 20 (2d Cir. 1976); *Eichel v. Marcin*, 241 F. 404, 411 (S.D.N.Y.1913); *Stodart v. Mutual Film Corp.*, 249 F. 507, 510 (S.D.N.Y.1971), *aff'd per curiam*, 249 F. 513 (2d Cir. 1918); *Grove Press, Inc. v. Greenleaf Publishing Co.*, 247 F.Supp. 581, 526 (E.D.N.Y.1965).

Judge Lumbard summarized this well-established rule as follows:

However, section 7 limits the copyright protection of the derivative work, as works adapted from previously existing scripts have become known, to the novel additions made to the underlying work, and the derivative work does not affect the "force or validity" of the copyright in the matter from which it is derived.

Gilliam v. American Broadcasting Companies, Inc., *supra*, 538 F.2d at 20 (citations omitted.).

[2] Since the proprietor of a derivative copyright cannot convey away that which he does not own, *Id.* at 21; *Roy Export Co. v. Columbia Broadcasting System, Inc.*, 503 F.Supp. 1137, 1153 (S.D.N.Y.1980), it follows that he cannot release that which he does not own into the public domain. *G. Ricordi & Co. v. Paramount Pictures, Inc.*, *supra*, 189 F.2d at 472; *Grove Press, Inc. v. Greenleaf Publishing Co.*, *supra*, 247 F.Supp. at 526-27.

To the extent that *Rohauer v. Killiam Shows, Inc.*, 551 F.2d 484 (2d Cir.), cert. denied, 431 U.S. 949, 97 S.Ct. 2666, 53 L.Ed.2d 266 (1977) may have departed from the doctrine established in the above cited cases, the aberration was a minor one, and it is not dispositive of the issues in the instant case. The precise holding in *Rohauer* was that a derivative copyright proprietor who had been promised a reconveyance of his license rights upon renewal of the underlying copyright, could enforce that promise as against the statutory successors of the deceased proprietor of the underlying copyright. The successors did not lose the protection inherent in the underlying copyright except to the limited extent that a right of

derivative use had been granted the licensee. The licensee received no more than the right of use covered by the terms of licensing agreement. His derivative copyright was not expanded to encompass that which was borrowed from the underlying work; he could not reproduce the borrowed material in other forms or versions as if it were his own original contribution. In short, he had no proprietary interest in the underlying copyrighted material which would enter the public domain upon the lapse of his own copyright.²

Indeed, as Judge Friendly noted in *Rohauer*, 551 F.2d at 489, a purpose of Congress in enacting the above quoted portion of section 7 was to ensure that a failure of the derivative copyright would not diminish the statutory protection afforded the underlying copyright. Appellant Filmvideo, which had no rights under the 1935 licensing agreement, could not dispute appellees' claim to protection under the Mulford copyright.

[3] We therefore affirm those portions of the district court's judgment which (1) enjoin the infringing use by the appellant and (2) direct the computation of damages. However, we reverse that portion of the judgment which directs appellant to deliver to appellees all negatives, prints, etc. in appellant's possession. As the district court implicitly recognized in the terms of its injunction, copyright laws do not have extraterritorial application. *Robert Stigwood Group Ltd. v. O'Reilly*, 530 F.2d 1096, 1101 (2d Cir.); *cert. denied*, 429 U.S. 848, 97 S.Ct. 135, 50 L.Ed.2d 121 (1976). Appellant claims the right to show the Hopalong Cassidy films abroad, and the district court's injunction does not prevent it from so doing. In the absence of proof that appellant did not have legal possession of the films for his limited purpose, it was an abuse of discretion for the district court to direct that the films be turned over to appellees.³

The judgment of the district court is **AFFIRMED**, except as to that portion which directs delivery of films, prints, etc. to appellees. The portion of the judgment which directs such delivery is **REVERSED**. Costs to appellees.

²Judge Friendly's discussion of a so-called "property right" in the proprietor of the derivative copyright was directed to the factual picture that that was before him. Congress has incorporated in the 1976 Act the traditional rule that the "copyright in a compilation or derivative work extends only to the material contributed by the author of such work, as distinguished from the preexisting material employed in the work, and does not imply any exclusive right in the preexisting material." 17 U.S.C. § 103(b). In view of this, it would be anomalous to reject that traditional rule in cases such as the instant one, where the facts, and their social and equitable implications, differ so widely from those of *Rohauer*.

³Our holding deals only with the district court's exercise of authority under 17 U.S.C. § 503(b). We do not determine whether appellant has a prior right of possession as against others claiming ownership or possessory interests.

The FILTRON MFG. CO., INC. v. FIL-COIL COMPANY, INC., et al.

No. 78 C 398

(United States District Court, E. D. New York — Decided March 12, 1981)

215 USPQ 866

Action by The Filtron Mfg. Co., Inc., against Fil-Coil Company, Inc., and Edward Greenwood, for copyright infringement and unfair competition. Judgment for plaintiff.

COPYRIGHTS**1. Title—Assignment and license**

Under 17 USC 204(a) instruments of conveyance transfer copyright ownership even though they lack certificate of acknowledgement, certificates do not constitute prima facie evidence of execution of transfer without acknowledgement.

2. Defenses—Unclean hands

Misconduct that did not relate to subject matter of action could not be raised by defendants as estoppel against plaintiff's claims.

3. Defenses—In general

New York Federal District Court rejects overly technical application of relation back doctrine, principle of leniency usually applied to relieve plaintiff from bar of statute of limitations, and views amendment of complaint as equivalent of supplemental complaint which validly began proceedings, so that 17 USC 205(d) requirements are satisfied.

Mark H. Sparrow, and Jacobs & Jacobs, P.C., both of New York, N.Y., for plaintiff.

Alvin C. Goldman, Old Westbury, N.Y., for defendants.

PRATT, District Judge. Plaintiff brought this action for copyright infringement and unfair competition based on alleged unauthorized use by defendants of plaintiff's copyrighted catalog and the use of plaintiff's part numbers and pictures of plaintiff's goods in defendants' catalog. Plaintiff is a New York corporation that manufactures and sells radio frequency interference suppression filters and other filter equipment. Defendant Fil-Coil is a New York corporation that manufactures and sells substantially the same filter equipment in competition with plaintiff. Defendant Greenwood is Fil-Coil's president and one of its principal stockholders.

Defendants admit that Greenwood prepared Fil-Coil's A-78 catalog and that its text and graphic material were taken from two Filtron catalogs, P-68 and P-75, both of which had been copyrighted. This action is concerned only with the P-75 catalog covered by copyright registration number A618934, because the issues with respect to the P-68 catalog were resolved by a settlement agreement prepared by the bankruptcy court of the Eastern District of New York. Defendants do not contest that the P-75

catalog was marked with the 1968 copyright notice as well as the 1975 copyright notice.

The copyright in issue was originally registered by Filtron Company, Inc. That corporation was adjudicated a bankrupt on January 13, 1977 in the Central District of California. As part of a compromise in the bankruptcy proceeding, the copyright was transferred by the trustee in bankruptcy to the Small Business Administration (SBA) which then sold it at public auction to Leonard Milton, plaintiff's president. The SBA executed a confirmatory assignment to Milton, who in turn assigned the copyright to plaintiff. The copyright on the P-75 catalog covers only the revisions and additional pictorial matter that differed from the 1968 catalog.

Plaintiff claims that defendants' A-78 catalog infringes plaintiff's copyright on the P-75 catalog by copying much of its material. In addition, plaintiff contends that defendants are guilty of unfair competition by using in their A-78 catalog photographs of plaintiff's products taken from the copyrighted P-75 catalog, in some instances with plaintiff's name still on the products, and by using part numbers that differ by only one letter from those of plaintiff's and by use of plaintiff's trademark.

Defendants raise five main issues:

1. that plaintiff did not acquire a proper copyright to the P-75 catalog;
2. that plaintiff did not obtain a proper assignment of the copyright;
3. that the P-75 catalog was abandoned and therefore in the public domain when defendant's A-78 catalog was printed;
4. that defendants' A-78 catalog did not mislead purchasers or constitute unfair competition; and
5. that plaintiff and its president, Leonard Milton, are estopped from asserting the claims in this suit by Milton's unclean hands.

The action was tried before this court sitting without a jury on October 27, 1980 after which post-trial memorandum were submitted, the last of which was received by the court on November 24, 1980. Under the terms of ¶13 of the pretrial order, the issues of liability and damages were to be tried separately, with additional discovery to be permitted on the damage issue if liability were to be determined.

Finding of Facts

1. Plaintiff is a New York corporation manufacturing and selling in interstate commerce radio frequency interference suppression filters and other filter equipment.
2. Defendant Fil-Coil Company, Inc., is a New York corporation manufacturing and selling in interstate commerce substantially the same filter equipment in competition with plaintiff.
3. Defendant Edward Greenwood is president and a principal stockholder of defendant corporation.

4. Certificate of a claim to copyright no. A618934 was issued on March 24, 1975 to Filtron Company, Inc., of Westbury, New York for catalog P-75.

5. Catalog P-75 was a revision of the previously published copyrighted catalog P-68.

6. The copyright for catalog P-75 covered the material that was not previously contained in catalog P-68.

7. Filtron Company, Inc., was adjudicated a bankrupt on January 13, 1977 in the Central District of California. In that bankruptcy proceeding:

a. An application of receiver for ex parte order approving abandonment of certain property of the bankrupt was filed on February 28, 1977.

b. An application to compromise dispute with SBA was filed on March 15, 1977.

c. An order for and notice of application to compromise dispute was filed on March 15, 1977.

d. A stipulation between trustee and SBA to turn over possession of assets and order thereon was filed on March 15, 1977.

e. A notice of application to compromise dispute was filed on March 25, 1977.

f. An order approving the compromise between the trustee and the SBA was filed on April 16, 1977.

g. A notice of entry of Order Approving Compromise Between Trustee and Small Business Administration on April 16, 1977 was filed on April 20, 1977.

h. The trustee, pursuant to the compromise, was ordered to turn over all intangibles to the SBA. These intangibles included all "General Intangibles."

8. The SBA authorized an auction to be held on June 8, 1977. The auction was intended to sell all the assets in which the SBA held a security interest. At the auction, Leonard Milton purchased among other things the copyright registration for catalog P-75.

9. A confirmatory assignment of copyright no. A618934 for catalog P-75 from United States Small Business Administration to Leonard Milton was made, dated February 22, 1978, effective June 8, 1977, and recorded in the Copyright Office on March 24, 1978. Stanley Freeman, Chief, Loan Liquidation Division and supervisory loan specialist signed the assignment on behalf of the SBA.

10. The complaint was filed on March 2, 1978 and amended on May 23, 1978 to recite the recordation of the assignment in the Copyright Office on March 24, 1978.

11. Plaintiff's 1975 catalog P-75 was properly marked with both a 1968 and 1975 copyright notice.

12. Defendant corporation's A-78 catalog was prepared by defendant Greenwood in July and August 1977 by taking the text and graphic material from plaintiff's P-75 catalog.

13. Some of the graphic material taken by defendants from plaintiff's catalog were pictures of plaintiff's goods, some with plaintiff's name thereon. Plaintiff's "POWERLINE" trademark was also used by defendants in the A-78 catalog.

14. The catalog part numbers of plaintiff are distinctly associated with plaintiff so that their use by defendants, either identically or with the addition of a single letter, resulted in and was likely to result in confusion among purchasers as to which corporation's goods they were buying.

15. The pictures of plaintiff's goods reproduced in defendants' catalog are distinctly associated with plaintiff so that their use by defendants was likely to result in confusion among purchasers as to which corporation's goods they were buying.

16. Defendants' use of plaintiff's trademark "POWERLINE" in their catalog in connection with the sale of their filters created a likelihood of confusion among purchasers.

17. Plaintiff had no knowledge of any other infringements prior to defendants' notice thereof.

18. Plaintiff did not authorize or acquiesce in the wide circulation of copies of its copyrighted work without its notice thereon.

19. When third party infringer, Axel Electronics, was notified by plaintiff, it stopped all sales of items with similar numbering and stopped all distribution of its infringing catalog.

20. Findings of fact included elsewhere in this memorandum of decision are incorporated herein by reference.

Conclusions of Law

1. The court has jurisdiction over the parties and subject matter involved in this action under 28 U.S.C. §§ 1338(a) & (b).

2. The copyright covering the P-75 catalog was included in the assets given by the trustee in bankruptcy to the SBA. Official Comment, Uniform Commercial Code, 39-106.

3. Plaintiff is the owner of the copyright covering the 1975 catalog. The assignment from the SBA to Leonard Milton was made by the supervisory loan specialist, Liquidation Section, who had authority to assign. Leonard Milton then assigned the copyright to plaintiff.

4. The amendment to the complaint that alleged recording of the assignments cured the technical defect of the action's having been commenced prematurely in view of 17 USC 205(d). *Friedman v. Typhoon Conditioning Co., Inc.*, 31 FRD 287 (EDNY 1962): 3 Moore's Federal Practice § 15.15(6).

5. Failure to record the assignments until after the infringing acts took place is not a defense available to defendants. *Machaty v. Astra Pictures, Inc., et al.*, 197 F2d 138, 93 USPQ 51 (CA2 1952).

6. Defendants had constructive knowledge of the copyright by virtue of the copyright notice; their actual knowledge of the assignments is not necessary to a finding of infringement.

7. The 1975 catalog was properly a subject for copyright under the Copyright Act of 1909, 17 USC 5(a).

8. The copyright for the P-75 catalog covered the revisions of the earlier P-68 catalog, 17 USC 7 (1909 Act), and carried the correct copyright notices. *Lin-Brook Builders Hardware v. Gerther et al.*, 352 F2d 298, 147 USPQ 264 (CA9 1965).

9. Defendants' use of material in their A-78 catalog, copied from plaintiff's P-75 catalog, which was covered by the 1975 copyright, constitutes copyright infringement. *PIC Design Corporation v. Sterling Precision Corporation et al.*, 231 F Supp 106, 142 USPQ 431 (SDNY 1964).

10. Defendants have engaged in unfair competition with plaintiff by using in defendants' P-78 catalog (a) pictures of plaintiff's goods that are distinctively associated with plaintiff, (b) catalog numbers that are substantially identical to plaintiff's numbers and, when so used by defendants constitute false designations of origin, and (c) plaintiff's trademark "POWERLINE," all in violation of 15 USC § 1125(a).

11. Defendants have failed to establish their defense of unclean hands.

Discussion

Although admitting that they copied the P-68 and P-75 catalogs, defendants raise a number of technical objections to plaintiff's claims of copyright infringement and unfair competition.

Ownership

The first objection, that plaintiff has not proved ownership of the copyright to the P-75 catalog, concentrates on the timing of the events giving rise to this case. The copyright on the P-68 catalog was owned by Filtron Co., Inc., of Flushing which was declared bankrupt in the Eastern District of New York (72 B 467). Its assets were sold in 1973 to a new corporation, Filtron Filters, Inc., made up of Leonard Milton, defendant Greenwood and another. In August 1973 Filtron Filters, Inc. changed its name to Filtron Co., Inc. (hereinafter referred to as Filtron-Westbury), which in 1975 obtained a copyright on the P-75 catalog. In 1977 Filtron-Westbury was adjudicated bankrupt in California (76-13562 CA), and its intangible assets were transferred to the SBA, sold by it in an auction sale and, by mesne conveyance assigned to plaintiff. The copyright on the P-75 catalog covered only "new matter [which] consists of editorial revision, and the like, as well as additional pictorial matter." Ex. 12. Before the P-75 copyright was assigned to plaintiff, defendants had published their

A-78 catalog, copying extensively from the copyrighted P-75 catalog which in turn drew heavily on the P-68 catalog.

Initially this suit was brought claiming infringement of both the P-68 and P-75 copyrights. As to the P-68 copyright, however, the claim was settled on February 4, 1980, by an order of the bankruptcy court in the 1972 bankruptcy proceeding of the Filtron Company, Inc. That left for adjudication in this action only the claims of unfair competition and infringement of the P-75 copyright.

Defendants claim that plaintiff's ownership of the copyright was not complete until the February 4, 1980 order of the bankruptcy court. That order, however, related not to the P-75 copyright but to the P-68 copyright. Its legal effect was to settle and confirm plaintiff's claim that Filtron-Westbury, and subsequently plaintiff, had owned the P-68 copyright ever since it was purchased in the bankruptcy auction on March 21, 1973. The bankruptcy court's February 4, 1980 order included a release of all claims and causes of action that the trustee in bankruptcy of the Filtron Company, Inc. might have against defendants in this case based on the P-68 copyright. The order also directed plaintiff to dismiss with prejudice all claims in this action respecting the P-68 copyright. Obeying that direction, plaintiff withdrew at the opening of the trial its claims based on the P-68 copyright.

Transfer

Defendants challenge to the validity of the transfer of the P-75 copyright from the bankrupt estate of Filtron-Westbury to plaintiff also fails. The clear intent and purpose of the transactions and orders that culminated in the confirmatory assignment of the copyrights from the SBA to Leonard Milton was to include the copyrights among the assets that were transferred by the trustee to the SBA and that were subsequently sold by the SBA to Milton.

[1] The court overrules defendants' technical objection to the admissibility of the copyright assignments. Although the two assignments lacked certificates of acknowledgement, they were in writing and signed by the owner's (SBA's) agent and by the owner (Milton), respectively. Under 17 USC § 204(a) these instruments of conveyance could transfer copyright ownership even though they lacked a certificate of acknowledgment. It is true that without the acknowledgment the certificates do not constitute prima facie evidence of the execution of the transfer, but under Federal Rules of Evidence 901(a) sufficient authentication was established by the testimony of Milton. From his testimony, coupled with the documents to which no serious authenticity challenge was raised, the court is satisfied that the transactions occurred as contended by plaintiff, that the assignments were executed, and that plaintiff has title to the two copyrights.

While it is true that the specific reference to copyrights included in the bill of sale was typed by a different typewriter, defendants fail to overcome plaintiff's evidence that the addition was made with the approval of the auctioneer and for the purpose of recording the true intent of the transactions. Defendants' charges of "deception" are, therefore, not supported by the evidence.

Abandonment

Defendants' claim that copyright protection for the P-75 catalog was abandoned rests upon evidence that two other companies, Axel Electronics and All-Tronics had published infringing catalogs. However, as soon as plaintiff became aware of the infringements it took steps to remedy them. Axel's president testified at the trial that on plaintiff's request he had stopped distribution of his infringing catalog. The evidence does not show any relinquishment or abandonment of plaintiff's copyright protection for the P-75 catalog. While enforcement of that right may have languished during the bankruptcy proceedings of Filtron-Westbury and the subsequent liquidation of assets by the SBA, there was no intent to abandon the copyright protection, nor were the respective owners of the copyright so neglectful of violations as to constitute an abandonment.

Unfair Competition

On the unfair competition issues, it is apparent from the evidence that defendants deliberately copied the P-75 catalog, appropriating its format, language, pictures, and part numbers. The only changes to the part numbers were to insert the letter C between the letter and numerical designations used by plaintiff. The effect of plaintiff's catalog was to create in purchasers a likelihood of confusion as to the source of the goods. It was defendants' intention to convey the impression that they were supplying plaintiff's products.

Unclean Hands

[2] The issue of unclean hands was not raised in the pretrial order and for that reason alone the defense should be stricken. Evidence pertaining to the unclean hands defense was received at the trial, but over objection. Even if the defense were to be considered on its merits, however, it would fail. While the evidence did establish certain facts from which inferences of misconduct by plaintiff's president might be drawn, that misconduct did not relate to the subject matter of this action, and could not be raised by defendants as an estoppel against plaintiff's claims. 3 Nimmer on Copyright § 13.09[b]; Higgins v. Baker, 309 F Supp 635, 164 USPQ 472 (SDNY 1969).

Premature Filing

Defendants also argue that the action must fail because at the time it was commenced plaintiff had not recorded the assignment of the P-75 copyright from the SBA to plaintiff. Dated February 22, 1978, the SBA's confirmatory assignment was not recorded until March 24, 1978, 22 days after the complaint in this action was filed in the clerk's office. On May 23, 1978, however, the complaint was amended to recite the recording of the assignment. Plaintiff contends that the amendment relates back to the original filing and renders the entire action premature.

[3] The court rejects this overly technical application of the relation back doctrine, a principle of leniency usually applied to relieve a plaintiff from the bar of a statute of limitations. To apply the principle here for the purpose of formally defeating an action would serve no just purpose. The court, therefore, views the amendment of the complaint as the equivalent of a supplemental complaint which validly began these proceedings against the defendant as of May 23, 1978. See *Friedman v. Typhoon Air Conditioning Co. Inc.* 31 FRD 287 (EDNY 1962); 3 Moore's Federal Practice § 15.15[6]. Under this view, the requirements of 17 USC § 205(d) have been satisfied. Changing the effective date of commencement of the action does not alter the scope of the claims that plaintiff can assert, for § 205(d) expressly states that "suit may be instituted after such recordation on a cause of action that arose before recordation."

Conclusion

Defendants are liable to plaintiff for infringement of the copyright on the P-75 catalog and for unfair competition in the use of defendants' A-78 catalog. Injunctive relief against further use of the A-78 catalog is not required, however, since the order that the bankruptcy court entered on the settlement of the claim with respect to the P-68 catalog already prohibits defendants' use of the A-78 catalog and directs destruction of all copies therefore in defendants' possession.

The parties are directed within two weeks of the date of this decision to meet and attempt to resolve the remaining issues with respect to remedies. Failing resolution, the parties shall then conduct whatever discovery is needed on the remedy issue. Unless they earlier notify the court that settlement of the remedies issues has been reached, counsel for both sides shall attend a status conference on May 8, 1981 at 9:00 a.m. to discuss with the undersigned what further proceedings will be necessary and to schedule a trial of the remaining issues.

**FLORISTS' TRANSWORLD DELIVERY ASSOCIATION v.
RELIABLE GLASSWARE AND POTTERY COMPANY, INC.**

No. 79 C 894

*(United States District Court, N. D. Illinois, E. Div—Decided
May 11, 1981)*

213 USPQ 808

Action by Florists' Transworld Delivery Association, against Reliable Glassware and Pottery Company, Inc., for copyright infringement and violation of Lanham Act Section 43(a). On defendant's motions for summary judgment and to dismiss. Motions denied.

COPYRIGHTS

1. In general

Issuance of copyright registration is effective as of application date.

2. Publication

Publication is defined in copyright statute as being distribution of copies or phonorecords of work to public by sale or other transfer of ownership, or by rental, lease or lending, and as coming into existence when there is offering to distribute copies or phonorecords to group of persons for purposes of further distribution, public performance, or public display, but as not coming into existence when there is public performance or display of work in itself; where vases were exhibited at trade shows solely for display, and no solicitation for orders was made at that time, publication probably did not occur under 17 U.S.C. 101, second clause, until orders were actually solicited.

3. Notice of copyright

17 U.S.C. 401(a), requires that copyright notice be attached to advertisements and pamphlets as well as on vases subject to copyright protection themselves, in conjunction with their publication.

4. Notice of copyright

Prior to amendments in Copyright Act of 1976, copyright owner would immediately forfeit or abandon its rights if publication occurred without required copyright notice.

TRADEMARKS

5. Fraud and misrepresentation

Liability under Lanham Act Section 43 is found when evidence indicates likelihood of confusion, deception, or mistake, on part of consuming public, regardless of whether plaintiff has registered trademark.

6. Fraud and misrepresentation

Allegations that design on, and shape of, plaintiff's vase constitutes non-functional trade dress, that defendant copied same, that this trade dress has acquired secondary meaning in market place, and there is likelihood of confusion among consumers as to source of vases sold by defendant, state cause of action under Lanham Act Section 43; likelihood of confusion is question of fact, and plaintiff is not required to prove state of mind of public at pleading stage.

7. Fraud and misrepresentation

In order to succeed at trial on Lanham Act Section 43(a) claim plaintiff must establish that its vase has become distinctively associated with it so that its use by accused resulted in, or was likely to result in, confusion among vase-buying public as to source.

8. Fraud and misrepresentation

There is no protection under Lanham Act Section 43 of functional natures of design.

Ernest I. Gifford, Douglas Sprinkle, and Gifford, Van Ophem & Sprinkle, all of Birmingham, Mich., and Edward M. Keating, Chicago, Ill., for plaintiff.

Robert M. Ward, and Cook, Wetzel & Egan, Ltd, both of Chicago, Ill., for defendant.

KOCORAS, *District Judge*. Defendant Reliable Glassware and Pottery Co., Inc. ("Reliable") moves for summary judgment on Counts I and II, which allege copyright infringement, on the ground that the copyright of plaintiff Florists' Transworld Delivery Association ("FTD") is invalid. Defendant also moves to dismiss Count IV on the ground that it fails to state a cause of action under Section 43 of the Lanham Act, 15 U.S.C. § 1125(a).

[1] Plaintiff FTD has brought this suit on claims of copyright infringement under the Copyright Act of 1976, 17 U.S.C. § 101 et seq., and of unfair competition under the Lanham Act, 15 U.S.C. § 1125(a). The Complaint, which has been amended twice, alleges that defendant Reliable Glassware and Pottery Company unlawfully copied and sold flower vases created by FTD for the Mothers' Day holiday on May 13, 1979; FTD had a copyright to a distinctive floral design on the vases which Reliable allegedly duplicated for its own vase. Plaintiff had obtained four Copyright Registrations to its vases; the issuance of Copyright Registration No. VAU 5-011 on February 12, 1979 was effective as of the application date on November 24, 1978.

Plaintiff initially sought a preliminary injunction on its copyright infringement claims in May 1979. Judge McGarr assigned the matter to Magistrate Balog for conducting preliminary injunction hearings and for proposing findings of facts and conclusions of law. Mr. Martin Waterfield, Director of Special Services for FTD, testified at a hearing before Magistrate Balog on May 1, 1979. A paralegal with defendant's counsel, Mr. Brian Koza, also testified. Mr. Jacob Krivit, the president of defendant corporation, was deposed in March 1979. Upon consideration of that evidence and of the existence briefs and proposed findings submitted by the parties, Magistrate Balog issued his proposed findings of facts and conclusions of law on May 24, 1979. With one minor exception, Judge McGarr adopted Magistrate Balog's proposals and denied the motion for preliminary injunction on August 2, 1979. In essence Magistrate Balog found that FTD had effectively forfeited its copyright through its failure

to affix the requisite notice of copyright on the vases, and that Reliable had innocently relied on the lack of notice.

Plaintiff arranged to produce the milk-can shaped vases in Japan; Mr. Waterfield was directly involved with those negotiations and had the preliminary role in promoting the vases to FTD's approximately 18,000 member florists for sale during the Mothers' Day period in 1979. Each vase had a distinctive floral pattern painted on its side. FTD displayed samples of the vases as early as August 1978 at trade shows for the florist industry; it is uncontested that none of the exhibited vases had any copyright notice. It appears, however, that the vases were displayed solely for exhibit at the trade shows in 1978; no orders were taken or processed for them either to member florists or to the public at that time. FTD states that it began to accept orders for the vases from its members in February of 1979; the first shipments were made on March 12, 1979. As of May 1, 1979, FTD had shipped 914,000 vases. The advertisements and promotion pamphlets of the vase sent to member florists also lacked copyright notice.

According to Mr. Waterfield, it was not until March 1, 1979 that FTD was apprised by counsel of its obligation to affix copyright notice on the vases. (Tr. p. 34). At that time, all of the vases were still in FTD's warehouse in Detroit. At the hearing before Magistrate Balog, Mr. Waterfield was asked whether FTD attempted to correct the notice problem prior to the first shipments on March 12, 1979. According to Mr. Waterfield:

A. Well, we considered whether it was practical to unload all the containers, over 1,200,000 containers, in the warehouse, and stick the label on, and that was literally impossible physically to do, and we couldn't put the cartons back with the straps on them to stand up to UPS shipment, so, after consultation, we decided that the best way was to have the labels printed. We knew exactly the number of containers that each member had ordered, so it's fairly easy for the computer to send out an exact duplicate number of labels with advice to each member to stick them on the bottom. (Tr. p. 24).

Waterfield further testified that FTD's printing division made a mistake on its initial publication of the labels, and that extra time was used in order to print the labels properly. (Tr. p. 25). FTD spent about \$8,800 in printing and mailing the adhesive notice labels to the members. A total of 914,000 labels were printed corresponding to the number of vases ordered by 15,070 members florists; a letter with the appropriate number of labels was sent to each of those members on April 16-17, 1979. (Tr. pp. 24-25). The letter, in telegram form, stated:

Dear Member,
Enclosed are ___ copyright labels to be affixed to the bottom of each FTD Mothers Day Milk Can Vase only. Legal counsel asks that you affix these labels in protection of FTD's copyright interests.
Sincerely,
Special Services Division
(Pl. Exh. 13).

Although the practical effect of the letter and labels is disputed, it appears that most, if not all, member florists ignored the request to affix the labels and that the vases were sold to the public without the copyright notice. The parties also dispute precisely when Reliable adopted the design of the FTD vase for its own production or when FTD's vases were first sold to the public by the member florists. It seems probable, however, that most of the vases were sold just before the holiday on May 13, 1979.

I. Motion for Summary Judgment on Counts I and II

[2] In recommending denial of FTD's motion for a preliminary injunction, Magistrate Balog concluded as a matter of law that the offerings of the milk-pail vases in the trade shows in August and October 1978 constituted publication under 17 U.S.C. § 101. "Publication" is defined in the statute:

"Publication" is the distribution of copies or phonorecords of work to the public by sale or other transfer of ownership, or by rental, lease, or lending. The offering to distribute copies or phonorecords to a group of persons for purposes of further distribution, public performance, or public display, constitutes publication. A public performance or display of a work does not of itself constitute publication. 17 U.S.C. § 101.

FTD argues that no publication was made of the vases until February 1979, when the first orders from members were taken. If the vases were exhibited at the trade shows solely for display in 1978, and if no solicitation for orders was made at that time, then publication probably did not occur under the second clause of 17 U.S.C. § 101 until orders were actually solicited by FTD before February 1979. In any case, it is clear that publication began in February without the required notice.

[3] Section 401(a) of Title 17 provides: "Whenever a work protected under this title is published in the United States or elsewhere by authority of the copyright owner, a notice of copyright as provided by this section shall be placed on all publicly distributed copies from which the work can be visually perceived, either directly or with the aid of a machine or device." Clearly, the statute required FTD to attach copyright notice on advertisements, pamphlets, and the vases themselves in conjunction with their publication. FTD failed to do so.

[4] Prior to the amendments in the Copyright Act of 1976, a copyright owner would immediately forfeit or abandon its rights if publication occurred without the required copyright notice. Because Congress believed that undue hardship often resulted to the owner by the omission of adequate notice, the following safeguards were enacted:

(a) The omission of the copyright notice prescribed by sections 401 through 403 from copies or phonorecords publicly distributed by authority of the copyright owner does not invalidate the copyright in a work if—

- (1) the notice has been omitted from no more than a relatively small number of copies or phonorecords distributed to the public; or
 - (2) registration for the work has been made before or it made within five years after the publication without notice, and a REASONABLE EFFORT is made to add notice to all copies or phonorecords that are distributed to the public in the United States after the omission has been discovered; or
 - (3) the notice has been omitted in violation of an express requirement in writing that, as a condition of the copyright owner's authorization of the public distribution of copies or phonorecords, they bear the required notice.
- 17 U.S.C. § 405(a) (emphasis supplied).

Both § 405(a)(1) and § 405(a)(3) are inapplicable in this case. Because almost one million vases were sold to member florists without the affixed notice, section (a)(1) is unavailing. Section (a)(3) cannot apply because the advertisement, distribution, or sale of the vases was not expressly conditioned by FTD upon the placement of the copyright notice. The parties concede that FTD's copyright forfeitures may only be salvaged by section 405(a)(2) of Title 17.

Magistrate Balog concluded as matters of law that "FTD relied on others to put on the adhesive copyright notice labels when FTD could have put them on itself" and that "the effort made to date by FTD to add notice of copyright to all copies that have been distributed was not reasonable nor has there been a scintilla of evidence showing the effort has been effective." (Mag. Balog's Proposed Concl. of Law, para. 7 & 8). Reliable urges us to accept Magistrate Balog's conclusions for purposes of its summary judgment motion; it argues that we are in effect bound to adopt those conclusions as our own.

It is worth repeating that the Findings of Fact and Conclusions of Law proposed by Magistrate Balog, and adopted by Judge McGarr, were issued for purposes of FTD's preliminary injunction motion. Clearly, if Magistrate Balog's conclusions are binding, then FTD's copyright has been forfeited and is invalid because FTD failed to make a "reasonable effort" under § 405(a)(2) to add notice to the 914,000 vases distributed to its member florists. However, although Judge McGarr's findings and conclusions are firm for the purposes of denying the preliminary injunction, they are tentative and not binding for a final decision on the merits of this case. *Westchester Gen. Hosp. v. Dept. of Health, Etc.*, 464 F. Supp. 236, 251 (M.D. Fla. 1979); *Poe v. Charlotte Memorial Hosp.*, 374 F. Supp. 1302, 1312 (W.D.N.C. 1974). It is still within the province of this Court and a jury to make conclusions of law and findings of fact in variance with those elicited from the preliminary injunction hearings.

The question of what constitutes "reasonable effort" under section 405(a)(2) of the Copyright Act has not been decided by the courts. According to one commentator, "it remains for the cases to indicate just how much effort is 'reasonable'." *Nimmer on Copyright*, § 7.13[B][2] (1980). In *P. Kaufman, Inc. v. Rex Curtain Corp.*, 203 USPQ 859 (S.D.N.Y. 1978),

the court found that the copyright owner's "prompt steps" to remedy inadvertent omission of notice on fabrics was sufficient under section 405(a)(2) where a sticker would be placed on the transparent wrapper encasing the fabric. However, the case opinion is of limited precedential value because the facts are not described in sufficient detail. The principal dispute in this case is whether the efforts made by FTD to add notice were "reasonable" for purposes of the statute. As this Court has noted, summary judgment should be granted only where it is perfectly clear that no issue of fact is involved and where an inquiry into the facts is not desirable to clarify the application of the law. *Crane Co. v. Aeroquip Corporation*, 356 F.Supp. 733, 737, 177 USPQ 666, 668-669 (N.D.Ill. 1973) citing *Stevens v. Howard D. Johnson*, 181 F.2d 390, 394 (4th Cir. 1950). Summary judgment is inappropriate even where there is no dispute as to the evidentiary facts in the case but only as to the conclusions to be drawn therefrom. *Id.* at 737, 177 USPQ at 668. For that reason, this court may not indulge in drawing inferences as to whether a "reasonable effort" was made without giving the parties a complete hearing, and Reliable's motion for summary judgment on Counts I and II is therefore denied.

II. Motion to Dismiss Count IV

Count IV, which appears in the Twice Amended Complaint filed on February 8, 1980, alleges that FTD spent great sums of money in advertising and promoting its vases for sale prior to Mother's Day in 1979. Plaintiff alleges that the vase's shape and floral design constitute "non-functional trade dress." The aforesaid trade dress, according to the complaint, has acquired secondary meaning in the market place as a result of FTD's advertising and promotion expenditure, and retail buyers of vases having the same configuration and design believe that such vases originate from FTD. Owing to the substantial identity of trade dress between FTD's vases and Reliable's vases, plaintiff alleges there is a likelihood of confusion with respect to retail purchases as to the source of the vases. The Count alleges a violation of the Lanham Act. 15 U.S.C. § 1125(a).

Defendant contends the Count fails to state a cause of action pursuant to Rule 12(b)(6), F.R.C.P. Reliable notes that Count IV does not allege that FTD had acquired a "secondary meaning" in any feature of its vase prior to Reliable's adoption of its allegedly similar vase. In support of its argument that the complaint must allege that secondary meaning was established at the time of Reliable's adoption, defendant cites *General Radio Company v. Superior Electric Company*, 321 F.2d 857, 863, 138 USPQ 595, 600 (3d Cir. 1963). That case states that a party alleging unfair competition has the burden to prove at trial that secondary meaning had been established when the wrongdoer adopted the allegedly similar design. There is no indication that such a claim must be alleged or proved

at the pleading stage. Moreover, that case did not discuss the elements of a cause of action under section 1125(a) of Title 15.

Even if one assumes that plaintiff must allege a secondary meaning in its product at the time defendant adopted allegedly similar features, such an inference can clearly be made from the pleading in Count IV. The Count clearly asserts that defendant intentionally and deliberately copied the trade dress of plaintiff's vases in disregard of plaintiff's rights, and that retail buyers of defendant's vases believed that such vases originate from FTD. One may infer from the pleading that secondary meaning was established in FTD's vases by the time Reliable adopted the features.

[5, 6] In considering a motion to dismiss, the court must assume all well pleaded facts as true and any inferences reasonably drawn therefrom in the light most favorable to the plaintiff. *O'Hare International Bank v. Hampton*, 437 F.2d 1173 (7th Cir. 1971); *F.E.L. Publication v. National Conference, Etc.* 466 F.Supp. 1034, 1043, 200 USPQ 301, (N.D.Ill. 1978). Liability under section 43 of the Lanham Act is found when evidence indicates a likelihood of confusion, deception or mistake on the part of the consuming public, regardless of whether plaintiff has a registered trademark. *F.E.L. Publications v. National Conference, Etc.*, supra, 466 F. Supp. at 1044, 200 USPQ at 309; Count IV clearly alleges that the design on and shape of FTD's vase constitutes non-functional trade dress, that defendant copied the same, that the aforesaid trade dress has acquired secondary meaning in the market place, and that there is a likelihood of confusion among consumers as to the source of the vases sold by defendant. These allegations state a cause of action under section 43 of the Lanham Act, 15 U.S.C. § 1125(a). See, eg., *Dave Grossman Designs, Inc. v. Bortin*, 347 F.Supp. 1150, 1157, 174 USPQ 217, 222 (N.D.Ill. 1972). Furthermore, likelihood of confusion is a question of fact, and the plaintiff is not required to prove the state of mind of the public at the pleading stage. *F.E.L. Publications v. National Conference, Etc.*, supra 466 F.Supp. at 1044, 200 USPQ at 309; *McDonald's Corporation v. Gunvill*, 441 F.Supp. 71, 73, 196 USPQ 813, 815 (N.D.Ill. 1977).

[7] In order to succeed at trial, FTD must establish that its vase, with its milk-can configuration and floral design, has become distinctively associated with FTD so that its use by Reliable resulted in, or was likely to result in confusion among the vase-buying public as to the source. *General Pool Corporation v. Hallmark Pool Corporation*, 259 F.Supp. 383, 386, 151 USPQ 372, 374-375 (N.D. Ill. 1966). In view of the very short time in which the vase was sold and advertised to the *public*, as opposed to the florist members, FTD's burden of proof is particularly heavy to establish that its vase acquired a "secondary meaning" in the market place. *Id.* at 396, 151 USPQ at 375.

[8] There is no protection under section 43 of the Lanham Act of "functional" natures of design. Defendants argue that the vase's configuration

and floral designs are functional rather than non-functional, thereby warranting dismissal of Count IV. The plaintiff alleges that both the floral design on the side of the vase and the vase's particular shape constitute "non-functional trade dress." That is sufficient. As stated above, this court must assume all well pleaded facts to be true and any inferences must be drawn in favor of FTD. In any case, the reasoning in *Haeger Potteries v. Gilner Potteries*, 123 F. Supp. 261, 102 USPQ 106 (S.D. Cal. 1954), supports the inference that the floral design and milk-can shape of the vases are non-functional qualities. For purposes of the motion to dismiss, the vase's peculiar design is deemed non-functional.

Defendants contend that Count IV is defective because it fails to allege that either the FTD or Reliable vase was not clearly identified with its own trademarks. Specifically, Reliable states that FTD's vase had both its logo and the statement "Handmade in Portugal, Seda" imprinted on it. Reliable's vase displayed the "Relpo" trademark and the words "Chicago, Ill.", "Hand painted", and "Made in Japan." The complaint alleges, however, that the vase-buying public was likely to be confused as to the source of the vases. This allegation may be consistent with the fact that the above-mentioned words appeared on the bottom of the vases. In *Haeger Potteries v. Gilner Potteries*, *supra*, the defendant urged that the placement of its name on the bottom of its ash tray sufficiently differentiated it from plaintiff's product. 123 F. Supp. at 270, 102 USPQ at 112. The Court rejected the contention because, in view of the nature and intended use of the article and its manner of sale, there was reasonable certainty that defendant's name on the bottom of an ash tray identical to plaintiff's ash tray was not sufficient to prevent deception and palming off. *Id.* at 270, 102 USPO at 112. The same could be said for the flower vases.

For the foregoing reasons, Count IV states a cause of action under section 43 of the Lanham Act, 15 U.S.C. § 1125(a). Defendant Reliable's motion to dismiss Count IV and its motion for summary judgment on Counts I and II are DENIED.

Robert **FRISCHMANN** and Harry Marineau, Plaintiffs, v. **UNITED STATES OF America**, et al., Defendants

No. 77-960C (A)

(United States District Court, E. D. Missouri, E.D. — November 13, 1981)

529 F.Supp. 129

Owners of film brought suit against United States Attorney and FBI agents following seizure of films. The District Court, Harper, J., held that: (1) punitive damages were inappropriate, and (2) grant of declaratory judgment would not be proper.

Order accordingly.

1. Civil Rights

Where films which had been retained by government following seizure were returned to the owners on the morning of trial and where the search and seizure of the films was not in callous disregard of the Fourth Amendment, punitive damages for Fifth Amendment violation were not warranted. U.S.C.A.Const.Amends. 4, 5.

2. Declaratory Judgment

Grant of declaratory relief is discretionary.

3. Declaratory Judgment

Where record was not adequately developed to support a determination of relief which would reach beyond the facts of the particular case and where there was no showing that the complained-of action was likely to occur again, declaratory judgment was inappropriate.

Francis L. Ruppert, St. Louis, Mo., for plaintiffs.

W. Munro Roberts, Jr., Joseph B. Moore, Asst. U. S. Atty., Joseph H. Mueller, Alan C. Kohn, St. Louis, Mo., for defendants.

MEMORANDUM OPINION

HARPER, District Judge. Plaintiffs, Robert Frischmann and Harry Marineau, brought suit against the United States of America, Barry Short (then U.S. Attorney), and Suzanne Mullins, John Long and James Haggerty (then special agents for the Federal Bureau of Investigation), asking that the Court award both compensatory and punitive damages for the allegedly improper seizure of plaintiffs' films under an implied Fifth Amendment cause of action. Jurisdiction is based on 28 U.S.C. § 1331(a) and the Fifth Amendment of the United States Constitution.

Plaintiffs also pray for a declaratory judgment under the provisions of 28 U.S.C. § 2201 that the seized films are the plaintiffs' lawful property not subject to seizure by the defendants and that plaintiffs may exchange, lend or sell, not for profit, any and all of the motion picture film prints which plaintiffs own. Jurisdiction is based on 28 U.S.C. § 1331, 28 U.S.C.

§ 1346(a)(2), 28 U.S.C. § 2201, 28 U.S.C. § 1338(a) and the First, Fourth and Fifth Amendments to the Constitution of the United States.

The testimony and exhibits disclose that the plaintiffs are film collectors and as such collect, trade and sell, not for profit, motion picture film prints. In February of 1977, plaintiff Frischmann placed an advertisement in a nationally circulated periodical offering to sell or to exchange with other film collectors prints of certain motion picture films. Upon seeing the advertisement, William Nolan, head of the Film Security Office of the Motion Picture Association of America, Inc., wrote to the Director of the Federal Bureau of Investigation in Washington, D. C., advising that the films listed in the advertisement were copyrighted and that Frischmann was not authorized to possess, duplicate or sell the copyrighted films.

The FBI forwarded the letter to its St. Louis office requesting that an investigation be made. A search warrant for Frischmann's home was denied on the basis that there was insufficient evidence to establish probable cause to suspect Frischmann was violating the criminal copyright laws. In April of 1977, Agents Mullins and Haggerty went to Frischmann's home, misrepresented themselves as film collectors interested in buying films and gained admission by consent to Frischmann's home. The agents were shown a number of films and purchased one film for two hundred dollars. The agents then identified themselves as FBI agents and catalogued and seized all films in plain view (including one film Frischmann told agents was not for sale and was on loan to him by plaintiff Marineau). Frischmann was advised of his rights and given a receipt for all items seized.

Plaintiffs brought suit against defendants on five counts. The case was bifurcated for trial since a jury trial was properly requested as to Count V. Counts I, II, III and IV were tried to the Court.

This Court granted defendants' motion for summary judgment on Count I under 28 U.S.C. § 1346(b) and on Count II under 28 U.S.C. § 1346(a)(2). Summary judgment was also granted to defendants on plaintiff's claims under the Fourth Amendment in Count III. At the time of trial, then, only plaintiffs' Fifth Amendment claim in Count III and the prayer for declaratory relief in Count IV remained in issue.

[1] This Court retained that part of Count III that raised an implied Fifth Amendment cause of action invoking the Court's equitable jurisdiction for return of evidence seized in the course of a criminal investigation by civil action. Plaintiffs pray for actual relief in the amount of the value of the films seized as well as punitive and exemplary damages.

The films that had been retained by the government were returned to the plaintiffs the morning of the trial. No evidence as to damages incurred by the plaintiffs due to the deprivation of their films was given at trial. This Court has already ruled that the search and seizure of the films was not in callous disregard of the Fourth Amendment and punitive damages are, therefore, inappropriate.

Accordingly, judgment will be for the defendants on Count III.

In Count IV plaintiffs pray for a declaratory judgment that all prints in the possession of plaintiff are the lawful property of the plaintiffs and not subject to seizure and that plaintiffs may exchange, lend or sell (not for profit) any and all of the films each owns and has in his possession.

[2] The grant of declaratory relief is discretionary. Although the Court has the power to grant the relief sought, it is not required to do so. *Inland Oil & Transport Co. v. U.S.*, 600 F.2d 725 (8th Cir. 1979). In *U.S. v. W. T. Grant Co.*, 345 U.S. 629, 633, 73 S.Ct. 894, 97 L.Ed. 1303 (1953), the Court said: "The moving party must satisfy the Court that relief is needed. The necessary determination is that there exists some cognizable danger of recurrent violation, something more than the mere possibility which serves to keep the case alive."

[3] The Court is not unsympathetic to plaintiffs' cause and has read with interest Professor Nevins' articles, "Copyright, Property and the Film Collector," 29 Rutgers Law Review 2, 18 (1975), and "The Film Collector, the FBI and the Copyright Act," 26 Cleveland State Law Review 547 (1977). However, the trial record is not adequately developed to support a determination of relief that would reach beyond the facts of the particular case at bar. As to these parties and the films in issue, plaintiffs have not shown that the government is likely to seize the films again. Since the films have been returned and the forfeiture proceedings have been dismissed with prejudice, *United States v. Four (4) Films*, E.D. Mo., 80-1628C(B), future injury to the plaintiffs is speculative. A declaratory judgment at this point would be more an advisory opinion than a remedy for an actual controversy based upon alleged facts.

Accordingly, declaratory relief is denied on Count IV, and judgment will be entered for defendants on the Fifth Amendment claim under Count III.

This memorandum is adopted by the Court as its findings of fact and conclusions of law and the clerk of the Court will prepare and enter the proper order.

GAY TOYS, INC., Plaintiff, v. BUDDY L CORPORATION, Defendant

Civ. A. No. 80-74325

(United States District Court, E. D. Michigan, S. D. — September 17, 1981)

522 F.Supp. 622. 216 USPQ 766

[See also 703 F.2d 970, 218 USPQ 13, 47 C.O.Bull.____ (6th Cir.—
Vacated and remanded, Mar. 31, 1983)]

Seller of toy airplane brought action asking court to declare competitor's copyright on similar toy airplane invalid and competitor filed answer and counterclaim of infringement. The District Court, Joiner, J., held that toy airplane which was useful article which did not include features that could be identified separately from or which were capable of existing independently of utilitarian aspect of toy airplane was not copyrightable subject matter since it was not a "sculptural work" in accordance with Copyright Act's definition of such a work. Ordered entered.

1. Copyrights and Intellectual Property

The Copyright Act protects form of artistic craftsmanship but not mechanical or utilitarian aspects of useful articles that are three-dimensional works of applied art or models but only if, and only to extent that, design incorporates sculptural features that can be identified separately, and be capable of existing independently of utilitarian aspect of article. 17 U.S.C.A. §§ 101, 102(a).

2. Copyrights and Intellectual Property

Toy airplane which was useful article which did not include features that could be identified separately from or which were capable of existing independently of the utilitarian aspect of toy airplane was not copyrightable subject matter since it was not a "sculptural work" in accordance with the Copyright Act's definition of such a work. 17 U.S.C.A. §§ 101, 102(a).

See publication Words and Phrases for other judicial constructions and definitions.

Robert G. Mentag, Detroit, Mich., for plaintiff.

Raymond E. Scott, Cullen, Sloman, Cantor, Grauer, Scott & Rutherford, Detroit, Mich., Marvin N. Gordon, Hopgood, Calimafde, Kalil, Blaustein & Judlowe, New York City, for defendant.

FINDINGS AND MEMORANDUM OPINION AND ORDER

JOINER, *District Judge*.

1. The Plaintiff, Gay Toys, Inc., is a corporation of the State of Michigan and has its principal place of business in Walled Lake, Michigan.

2. The defendant, Buddy L. Corporation, is a corporation of the State of Delaware and has its principal place of business in New York, New York.

3. The court has jurisdiction over the subject matter of this case and over the parties.

4. Sometimes in early 1977, the defendant's then employee, Finn Tornquist, was assigned the task of designing a new toy airplane to add to the defendant's line of toys. In April, 1978, the defendant began to market a toy airplane called the "Air Coupe", which incorporated the design made by Mr. Tornquist. The defendant's toy airplane at all times since it was offered to the public in 1978 has carried a copyright notice prescribed by the copyright laws. On November 19, 1980, the Register of Copyrights granted a Certificate of Copyright Registration No. VA 61-293 for defendant's Air Coupe Toy Airplane design, and defendant is the owner of the copyright and the Certificate of Registration therefor.

5. Mr. Tornquist was asked by the defendant to design and designed the defendant's Air Coupe Toy Airplane so that it (a) would look like an airplane, and (b) would take up minimal space in a package in which it would be sold at retail. A purpose of designing such an airplane was to make it an attractive toy to be sold to and used by youngsters in their play and in their intellectual development. The short wings and the short fuselage of the defendant's Air Coupe Toy Airplane, and other design characteristics providing a fat, stubby airplane, were to make the plane fit within a very restricted space. One of the major purposes for such a design was to save space in packaging so as to save freight in transportation. The Tornquist drawings were made to look like a typical single engine, low-wing, retractable wheeled aircraft—but stubbier and fatter with shorter wings.

6. Early in 1980, the plaintiff's president, Arnold Littleton, purchased one of the defendant's Air Coupe toy airplanes. That plane, together with various other airplanes made by other toy manufacturers, various catalogues, airplanes manufactured by the plaintiff, and brochures put out by Beechcraft, was used as a part of a product planning session for the purpose of reviewing what toy airplanes were available on the market and for the purpose of planning a new toy airplane. At that session, held early in 1980, the plaintiff decided that there was a need to design a new toy airplane.

7. Mr. Kurt Podgorski was requested to make a model of a new toy airplane for the plaintiff. He had previously provided models for many other toy products for the plaintiff, including a number of toy airplanes. He was given oral instructions to provide a single engine aircraft with a T-top with no windshield, so that certain figurines that had previously been used by the plaintiff in other of their toys could be used in the airplane. Mr. Podgorski was also instructed to provide an airplane that looked something like a Beechcraft single engine plane with a single stabilizer, and that would be of such size that it would fit with other specified toys manufactured by the plaintiff and could be assembled with

these other toys into a group package. Mr. Fisher of the plaintiff's engineering staff worked with Mr. Podgorski to make certain that compliance with the toy safety standards was met. During the process of making the model of the plaintiff's toy airplane, the plaintiff had access to the defendant's Air Coupe toy airplane, as well as to other airplanes and other information about airplanes. Mr. Podgorski had in his model making room the defendant's plane, and he looked at it during the making of the model of the plaintiff's "Flying Eagle I" toy airplane.

8. Mr. Podgorski made no two-dimensional drawings of the plaintiff's Flying Eagle, but he did create a wood model of the plaintiff's airplane that was approved by the president of the plaintiff. From this wood model, plastic prototypes were made and the Flying Eagle was developed. The plaintiff has manufactured and sold Flying Eagle toy airplanes that were designed by Mr. Podgorski.

9. The plaintiff's Flying Eagle I airplane looks like the defendant's toy airplane but is larger and fatter. Its dimensions differ from those of the defendant's toy airplane. They differ not only abstractly but also in reference to one another. It is clear from looking at the measurements of the various dimensions of the planes that Mr. Podgorski did not simply increase the size of the defendant's airplane. The planes differ in the material used, as to cabin enclosure, in the labels and coloring, in the existence of hubs, in the method of wheel assembly, in the number of pieces, and the way in which the propeller is attached. In addition to this, the plaintiff's toy airplane has fixed landing gear, whereas the defendant's airplane has collapsable landing gear. To a casual observer, the plaintiff's airplane looks like a larger version of the defendant's airplane, except as to color and labeling, lack of cabin enclosure, and lack of folding wheels.

10. All of the elements found in the plaintiff's Flying Eagle I toy airplane and the defendant's Air Coupe toy airplane are in the public domain. They are found in actual airplanes, prior toy airplanes, United States Government patents, and other literature. Both parties' toy airplanes include elements such as engine cowlings on the front end of the fuselage, wings with substantially straight-edged tips, T-roof, stubby looking planes with short wings.

11. Very shortly after the plaintiff first ordered for sale its Flying Eagle I toy airplane in October, 1980, the plaintiff was informed by the defendant that they were infringing the copyright on the defendant's airplane. The plaintiff filed this action on November 14, 1980 asking the court to declare the defendant's copyright invalid and to enter a judgment declaring that the plaintiff's Flying Eagle I did not infringe said copyright, if valid. The defendant filed an answer and a counterclaim of infringement of its Copyright Registration No. Va 61-293 on February 4, 1981. The action arises under the Copyright Laws of the United States under the Declaratory Judgment Act of Title 28, United States Code, § 2201.

DISCUSSION

Title 17 of the United States Code, § 102, provides in part as follows:

(a) Copyright protection subsists, in accordance with this title, in original works of authorship fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. Works of authorship include the following categories:

*	*	*	*	*	*
(5) pictorial, graphic, and sculptural works;					
*	*	*	*	*	*

17 U.S.C. § 102(a).

The Act defines “pictorial, graphic, and sculptural works” in § 101 of Title 17 of the United States Code, as follows:

*	*	*	*	*	*
“Pictorial, graphic, and sculptural works” include two-dimensional and three-dimensional works of fine, graphic, and applied art, photographs, prints and art reproductions, maps, globes, charts, technical drawings, diagrams, and models. Such works shall include works of artistic craftsmanship insofar as their form but not their mechanical or utilitarian aspects are concerned; the design of a useful article, as defined in this section, shall be considered a pictorial, graphic, or sculptural work only if, and only to the extent that, such design incorporates pictorial, graphic, or sculptural features that can be identified separately from, and are capable of existing independently of, the utilitarian aspects of the article.					
*	*	*	*	*	*

17 U.S.C. § 101.

The definition of “useful article” is as follows:

*	*	*	*	*	*
A “useful article” is an article having an intrinsic utilitarian function that is not merely to portray the appearance of the article or to convey information. An article that is normally a part of a useful article is considered a “useful article.”					
*	*	*	*	*	*

17. U.S.C. § 101.

Thus the Act stresses that, although sculptural works may be copyrighted, the copyright shall apply only to the “artistic craftsmanship insofar as their form but not their mechanical or utilitarian aspects are concerned.” The statute also emphasizes that the design of a useful article having an intrinsic utilitarian function may be considered to be sculptural only if, and only to the extent that, such design incorporates sculptural features that can be identified separately from and are capable of existing independently of the utilitarian aspects of the article. Thus the statute emphasizes that the utilitarian aspect of an article should not be subject to copyright.

Because it is not contended in this case that the toy plane is anything more than a three-dimensional work of applied art or a model, the following statement fairly summarizes the statutory provisions quoted above as they relate to this case.

[1] As applied in this case, the Copyright Act protects the form of artistic craftsmanship but not mechanical or utilitarian aspects of useful articles (i. e., articles having an intrinsic utilitarian function that is not merely to portray the appearance of the article or to convey information) that are three-dimensional works of applied art or models but only if, and only to the extent that, the design incorporates sculptural features that can (1) be identified separately, and (2) be capable of existing independently of the utilitarian aspect of the article.

A number of issues are presented.

1. Is the toy plane a useful article? Does it have utility?

The airplanes are toys. Toys are useful. A plane is a thing to play with. Play is an integral part of growing up. Children need toys. A toy airplane is useful and possesses utilitarian and functional characteristics in that it permits a child to dream and to let his or her imagination soar. The defendant's Air Coupe toy airplane is also useful, functional, and utilitarian since it was designed to be a fat, stubby airplane to fit in restricted package space, to make the package smaller, and to make it more economical to ship. The basic elements employed in the overall design of the defendant's toy airplane are functional and utilitarian since they are mandated by the overall shape required to simulate a real airplane. Clearly, without question, the defendant's toy airplane is both useful and utilitarian.

2. Is it a three-dimensional work of applied art or a model?

The answer is "yes."

3. Are there sculptural features that can be identified separately of the utilitarian aspect of the article?

The shape and appearance of the plane are the features defendant wishes to protect. They clearly can be identified separately from the utility of the plane as a toy. Children can play with all shapes and sizes of toy airplanes. They are, however, the very features that make the plane economical to ship. They make the package small so that more planes can be packed in the same space. This was an important reason for the design of the plane and is a utilitarian aspect of the article.

4. Are the sculptural features capable of existing independently of the utilitarian aspect of the article?

The appearance of this toy airplane (its sculptural features) relating to its stubby wings and short, fat body cannot exist independently of the plane itself. It is a part of the utility of the plane as a toy. It is an integral part of the toys. The sculptural features are also a part of the effort to provide economies in packaging and shipping. In either respect, they may not exist, physically or conceptually, independently of the utilitarian aspect of the article.

[2] The design of the defendant's Air Coupe toy airplane is not copyrightable subject matter because it is not a sculptural work in accordance with the definition of such work in the Copyright Act. This is so because it is a useful article, and it does not include features that can be identified separately from or are capable of existing independently of the utilitarian aspect of the Air Coupe toy airplane.

The foregoing analysis of the Copyright Act is supported by the history of the adoption of that Act. See *Esquire, Inc. v. Ringer*, 591 F.2d 796 (D.C.Cir. 1978); Judge Weinstein dissenting in *Kieselstein-Cord v. Accessories by Pearl, Inc.*, 632 F.2d 989, 994 (2d Cir. 1980).

Professor Nimmer in his Treatise on Copyright Law speaks to the legislative history as follows:

This brings us to the manner in which the current Copyright Act deals with the issue. In part because of the *Esquire* decision in the district court, the House Committee amended the original Senate version of the revision bill so that in the final Act the following was added to the definition of pictorial, graphic and sculptural works:

Such works shall include works of artistic craftsmanship insofar as their form but not their mechanical or utilitarian aspects are concerned; the design of a useful article, as defined in this section, shall be considered a pictorial, graphic, or sculptural work only if, and only to the extent that, such design incorporates pictorial, graphic, or sculptural features that can be identified separately from, and are capable of existing independently of, the utilitarian aspects of the article.

It will be seen that the above is an almost verbatim repetition of Copyright Office Regulation Section 202.10(c) under the 1909 Act, but with one significant difference.

Under the Regulation an "attractively shaped" article will not as such qualify for copyright only if "the sole intrinsic function" of the article is its utility. In the new Act copyright will be denied to the shape of a "useful article," as incorporated in the definition of a pictorial, graphic and sculptural work, even if its *sole* intrinsic function is not utility. A work is a "useful article," and therefore denied copyright for its shape as such, if it has "an intrinsic utilitarian function," even though it may have other functions which are not utilitarian. Thus, where the *Esquire* district court found the old Regulation inapplicable to deny copyright to a lighting fixture because it had an aesthetic as well as a utilitarian intrinsic function, under the new Act copyright may be denied to the shape of an article if one of its several "intrinsic" functions is that of utility. That this was the legislative intent is indicated by the following passage in the House Report:

. . . although the shape of an industrial product may be aesthetically satisfying and valuable, the Committee's intention is not to offer it copyright protection under the bill. Unless the shape of an automobile, airplane, ladies' dress, food processor, television set, or any other industrial product contains some element that, physical-

ly or conceptually, can be identified as separable from the utilitarian aspects of that article, the design would not be copyrighted under the bill. The test of separability and independence from "the utilitarian aspects of the article" does not depend upon the nature of the design — that is, even if the appearance of an article is determined by aesthetic (as opposed to functional) considerations, only elements, if any, which can be identified separately from the useful article as such are copyrightable.

Nimmer on Copyright, pages 2-93 and 2-94.

As to the differences between the opinions of the District of Columbia Court of Appeals and the Second Circuit Court of Appeals, it seems clear to this court that the opinion of Judge Bazelon in *Ringer* and the dissenting opinion of Judge Weinstein in *Kieselstein-Cord* have the greater force, and express more accurately the intent of Congress in adopting the Act. The legislative history is fully set out in the Weinstein dissent, *supra*, and need not be repeated here.

Since the court has found that the copyright registration is not valid, there is no reason to decide the question of infringement. For these reasons, judgement should be entered in favor of the plaintiff on both the plaintiff's claim and on the defendant's counterclaim.

The judgment should:

1. Declare the copyright of VA 61-293 of the defendant airplane sculpture invalid;
 2. Direct the copyright office to cancel the registration of that copyright;
 3. Declare that Gay Toys has the right to make, use, and sell, offer for sale, toy airplanes of the type and structure of "The Flying Eagle I" toy airplane without threats or interference arising out of the alleged copyright against Gay Toys or its customers;
 4. Provides for costs; and
 5. Grant reasonable attorney's fees.
- SO ORDERED.
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GENERAL INSURANCE COMPANY OF AMERICA, a corporation,
Respondent, v. **Edward J. CHOPOT**, a single person, Appellant

No. 3792-III-4

(Court of Appeals of Washington, Division 3, Panel 2—February 5, 1981)

623 P.2d 730. 28 Wash.App. 383

In declaratory judgment action to determine duty to defend, the Superior Court, Spokane County, Philip J. Thompson, J., granted summary judgment in favor of liability insurer, and insured appealed. The Court of Appeals, Munson, J., held that insurer was under no duty to defend action alleging damage to intangible property under blanket liability, comprehensive personal insurance, or personal liability provisions of insurance policy.

Affirmed.

1. Appeal and Error

On reviewing summary judgment, Court of Appeals must determine whether there is any issue of material fact which the nonmoving might prove, which would entitle it to relief.

2. Insurance

Liability insurer's duty to defend was dependent entirely upon allegations contained in complaint against insured.

3. Judgment

Where liability insurer's duty to defend was dependent entirely upon allegations contained in complaint against insured, and complaint was before trial court, summary judgment was appropriate.

4. Copyrights and Intellectual Property

Copyrights are generally defined as intangible property.

5. Insurance

Liability insurer was under no duty to defend action alleging damage to intangible property under blanket liability or comprehensive personal insurance provisions in policy which obligated insurer to pay for defense of action when insured became obligated to pay damages due to "property damage," and defined "property damage" as physical injury to or destruction of tangible property or loss of use of tangible property.

6. Insurance

Where "personal injury" coverage in insurance policy was limited to three groups of specific conduct, including defamation and invasion of property, none of which types of conduct were asserted against insured in lawsuit, such coverage did not impose upon liability insurer duty to defend action alleging damage to intangible property.

7. Insurance

Definition of "personal injury" in liability insurance policy was limited to enumerated conduct under doctrine of ejusdem generis.

Joseph P. Delay, Delay, Curran & Boling, Spokane, for appellant.

Kenneth, Kato, Hupp, Ewing, Anderson & Hergert, Spokane, for respondent.

MUNSON, *Judge*. Edward Chopot appeals a summary judgment in favor of General Insurance Company of America. We affirm.

Chopot was insured by General Insurance Company (General) in July 1975. Chopot has been sued in two federal court actions concerning wrongful videotaping of motion picture and television works and their eventual distribution for profit in the Fiji Islands. Chopot tendered defense of the federal actions to General, which undertook to defend Chopot under a reservation of rights to cease defending. General brought a declaratory judgment action in Spokane County Superior Court to determine whether it owed Chopot a duty to defend. On cross motions for summary judgment, the superior court found in favor of General and against Chopot. This appeal ensued.

The insurance policy provided three types of coverage: blanket liability, comprehensive personal insurance, and personal injury liability. Definitions of terms were common to the three types of coverage. Under the first two types of coverage the insurance company was obligated to pay for the defense of any action where the insured became obligated to pay damages due to "bodily injury" or "property damage" caused by an "occurrence."¹ The policy defines "property damage" as:

- (a) physical injury to or destruction of *tangible* property which occurs during the policy period, including the loss of use thereof at any time relating therefrom, or (b) loss of use of *tangible* property which has not been physically injured or destroyed provided such loss of use is caused by an occurrence during the policy period; . . . "

(Italics ours.)

The policy defines "occurrence" as "an event including continuous or repeated exposure to conditions, which results in bodily injury or property damage . . ." The personal injury liability section (Coverage P) covers "damages because of injury (herein called 'personal injury')" resulting from the following offenses committed in the course of business:

[T]he publication or utterance of a libel or slander . . . or a publication or utterance in violation of an individual's right of privacy; except publications or utterances in the course of or related to advertising, broadcasting or telecasting activities conducted by or on behalf of the named insured;

"Personal injury" is not otherwise defined.

¹The text of the policy states the insurance company must "pay on behalf of the insured all sums which the insured shall become legally obligated to pay as damages because of bodily injury or property damage to which this insurance applies, caused by an occurrence. The company shall have the right and duty to defend any suit against the insured seeking damages on account of such bodily injury or property damage, even if any of the allegations of the suit are groundless, false or fraudulent, . . . "

General argues the federal lawsuits have not alleged that Chopot damaged any *tangible* property, defamed anyone or invaded anyone's privacy. We agree.

[1-3] On reviewing summary judgment, this court must determine whether there is any issue of material fact which the nonmoving party might prove, which would entitle it to relief. *Morris v. McNicol*, 83 Wash.2d 491, 494, 519 P.2d 7 (1974). General's duty to defend is dependent entirely upon the allegations contained in the complaint against Chopot. *Holland America Ins. Co. v. National Indemnity Co.*, 75 Wash.2d 909, 911, 454 P.2d 383 (1969); *Farmers Home Mutual Ins. Co. v. Insurance Company of North America*, 20 Wash.App. 815, 818, 583, P.2d 644, *cert. denied* 442 U.S. 942, 99 S.Ct. 2885, 61 L.Ed.2d 312 (1978). The complaint was before the court; therefore, summary judgment was appropriate.

It must be determined whether the terms of the policy between Chopot and General contemplated defense of actions related to copyright infringement. Where insurance agreements are ambiguous, they should be construed to favor the insured; but where clear, the intention of the parties controls. *Dickson v. United States Fidelity & Guaranty Co.*, 77 Wash.2d 785, 466 P.2d 515 (1970); *Aetna Ins. Co. v. Kent*, 12 Wash.App. 442, 530 P.2d 672 (1975), *rev'd on other grounds*, 85 Wash.2d 942, 540 P.2d 1383 (1975).

[4, 5] Copyrights are generally defined as intangible property. *Security-First National Bank of Los Angeles v. Republic Pictures Corp.*, 97 F.Supp. 360 (S.D.Calif.1951), *rev'd on other grounds*, 197 F.2d 767 (9th Cir. 1952); *Stuff v. La Budde Feed & Grain Co.*, 42 F.Supp. 493 (E.D.Wis.1941). General is under no duty to defend an action alleging damage to intangible property under the blanket liability or comprehensive personal insurance provisions. See *Yakima Cement Products Co. v. Great American Ins. Co.*, 93 Wash.2d 210, 219, 608 P.2d 254 (1980).

[6, 7] Finally, the "personal injury" coverage is limited to three groups of specific conduct, including defamation and invasion of privacy. None of the named conduct is asserted against Chopot in the federal court lawsuits, and the definition of "personal injury" is limited to the enumerated conduct under the doctrine of *ejusdem generis*. *State v. Thompson*, 38 Wash.2d 774, 232 P.2d 87 (1951).

AFFIRMED.

GREEN and ROE, JJ., concur.

GNOSSOS MUSIC; Magicland Music; E. S. Prager, Incorporated; WB Music Corporation; Jobete Music Company, Incorporated; Commodore Entertainment Publishing Corporation; Badco Music, Incorporated; Black Bull Music, Incorporated; Appellees, v. **MITKEN, INCORPORATED**, Appellant, and Jerry Mitchell, Defendant

No. 80-1311

(United States Court of Appeals, Fourth Circuit—Argued November 12, 1980—Decided June 30, 1981)

653 F.2d 117. 211 USPQ 841

Suits were brought by copyright owners against owner and operator of nightclub and its principal stockholder alleging copyright infringement by public performance for profit of protected works. The United States District Court for the Western District of North Carolina, at Asheville, Woodrow Wilson Jones, Chief Judge, granted plaintiff's motion to strike defendants' request for jury trial, and nightclub owner appealed. The Court of Appeals, Sprouse, Circuit Judge, held that alleged copyright infringers are entitled to trial by jury under the Seventh Amendment when copyright owners seek only injunction and minimum statutory damages.

Reversed and remanded with direction.

1. Jury

Question of right to jury in litigating statutorily created right should be decided as matter of statutory construction rather than constitutional interpretation whenever possible.

2. Federal Civil Procedure

Language of Copyright Act, which provides that copyright owner may elect to recover award of statutory damages for all infringements involved in sum of not less than \$250 or more than \$10,000 as the court considers just, if anything, enforces rather than detracts, from interpretation requiring a jury trial, but such language is not sufficiently clear to mandate either bench or jury trial, and thus court had to decide whether the Seventh Amendment required a jury trial in litigation involving minimum statutory damages under the Copyright Act. 17 U.S.C.A. § 504(c); U.S.C.A.Const. Amend. 7.

3. Federal Civil Procedure

Copyright infringement is tortious interference with property rights for which Congress created remedy for damages and fact that it was created by statute makes it no less sounding in tort for purposes of determining whether an alleged infringer is entitled to jury trial. 17 U.S.C.A. § 504(c); U.S.C.A.Const. Amend. 7.

4. Federal Civil Procedure

Since a civil action seeking damages for copyright infringement under the Copyright Act is basically an action for the infringement of a legal right, and since copyright infringement statutory provision at issue provided a remedy of a type which traditionally would have been enforced at law, nightclub owner and operator was entitled to trial by jury under the Seventh Amendment in actions in which copyright owners sought only injunction and minimum statutory damages for infringement by public performance for profit of protected works. 17 U.S.C.A. § 504(c); U.S.C.A. Const. Amend. 7.

Stephen D. Kaylor, Asheville, N. C. (J. Lawrence Smith, Asheville, N. C., on brief), for appellant.

Jay Topkis, New York City (Bernard Korman, Wm. M. Nicholson, Judith M. Saffer, New York City, on brief), for appellees.

Before WINTER, RUSSELL and SPROUSE, Circuit Judges.

SPROUSE, Circuit Judge. This is an appeal by a defendant, Mitken Inc., from a March 5, 1980, district court order granting plaintiffs' motion to strike defendants' request for a jury trial in two consolidated copyright infringement cases.

Mitken, Inc., is the owner and operator of a nightclub in Asheville, North Carolina, the Cosmic Ball Room, that regularly presented live music for dancing in 1979. Its co-defendant at trial was Jerry Mitchell, its principal stockholder, who does not appeal. The plaintiffs/appellees (hereinafter "copyright owners") are eight owners of copyrights in original musical compositions and are members of the American Society of Composers, Authors and Publishers ("ASCAP"). Their works are registered, printed, and published in accordance with the copyright laws, thus entitling them to the exclusive right to publicly perform, or permit performance of, their music. 17 U.S.C. § 106(4).

Six of the copyright owners brought suit in the district court against Mitken and Mitchell in April 1979, alleging five instances of copyright infringement by public performance for profit of protected works. Three copyright owners filed another suit against Mitken in October 1979, alleging two additional infringements. The suits sought permanent injunctions, damages, and costs.

The defendants denied any infringements and requested a jury trial in both cases. The copyright owners waived any recovery in excess of the \$250.00 minimum statutory damages and costs, stipulating that they would not offer proof of actual damages. Plaintiffs then moved the district court to strike the defendants' demands for a jury trial.

The district court consolidated the cases for trial, granted the copyright owners' motion to strike the demand for a jury trial, and entered judgment for them on five of the seven counts of infringement. Defendants were permanently enjoined from infringing specifically named compositions and ordered to pay \$250.00 statutory damages for each of the five infringements and costs (including \$1,250.00 attorney fees).

The sole issue on appeal concerns the denial of trial by jury to alleged copyright infringers when the copyright owners seek only an injunction and minimum statutory damages.

The 1976 Copyright Act provides, in part:

(a) In General.—Except as otherwise provided by this title, an infringer of copyright is liable for either—

(1) the copyright owner's actual damages and any additional profits of the infringer, as provided by subsection (b); or

(2) statutory damages, as provided by subsection (c).

...
(c) Statutory Damages.—

(1) . . . the copyright owner may elect, at any time before final judgment is rendered, to recover, instead of actual damages and profits, an award of statutory damages for all infringements involved in the action, with respect to any one work, . . . in a sum of not less than \$250 or more than \$10,000 as the court considers just.

17 U.S.C. §§ 504(a), (c)(1). The owners of the infringed copyrights are thus entitled to an injunction, actual damages, and profits *or*, in the alternative, an injunction plus statutory damages—the latter requiring no proof beyond the infringement. A plaintiff in an infringement suit who seeks only the alternative statutory damages is, of course, relieved of the often difficult burden of proving actual damages or infringer's profits. *Douglas v. Cummingham*, 294 U.S. 207, 209, 55 S.Ct. 365, 366, 79 L.Ed. 862 (1935).

[1] Appellant contends it is entitled to jury trial both by the terms of section 504(c) of the Act and by the seventh amendment to the United States Constitution. We observe initially that the question of the right to a jury in litigating a statutorily-created right should be decided as a matter of statutory construction rather than of constitutional interpretation wherever possible.¹

[2] Appellees first argue that the language of section 504(c) is ambiguous but, properly read, indicates a congressional intent that the amount of statutory damages be determined by the court without a jury. We agree that the language is ambiguous, but cannot interpret it as the copyright owners contend. As the courts concluded in *Curtis v. Loether*, 415 U.S. 189, 94 S.Ct. 1005, 39 L.Ed.2d 260 (1974), and *Barber v. Kimbrell's, Inc.*, 577 F.2d 216 (4th Cir.), *cert. denied*, 439 U.S. 934, 99 S.Ct. 329, 58 L.Ed.2d 330 (1978), "court" could mean either "judge" singularly or "judge and jury" in tandem. The language of the fair housing statute interpreted in *Curtis* read "[t]he court may grant as relief, as it deems appropriate." 415 U.S. at 189, 94 S.Ct. at 1005 (quoting 42 U.S.C. § 3612). The language of the Truth in Lending statute interpreted in *Barber* states that damages can be awarded in "such amount as the court may allow" and "as determined by the court," and sets out factors that "the court shall consider." 577 F.2d at 219 n. 3 (quoting 15 U.S.C. § 1640(a) (1975)). In each case the courts held that Congress meant a determination by a jury. If anything, the language of section 504(c) enforces rather than detracts from an interpretation requiring a jury trial, but it is not sufficiently clear to

¹*Lorillard v. Pons*, 434 U.S. 575, 577, 98 S.Ct. 866, 868, 55 L.Ed.2d 40 (1978); *Curtis v. Loether*, 415 U.S. 189, 192 n. 6, 94 S.Ct. 1005, 1007 n. 6, 39 L.Ed.2d 260 (1974); *Barber v. Kimbrell's, Inc.*, 577 F.2d 216, 224 n. 23 (4th Cir.), *cert. denied*, 439 U.S. 934, 99 S.Ct. 329, 58 L.Ed.2d 330 (1978).

mandate either a bench trial or a jury trial. *Barber, supra*. But see *Sid & Marty Krofft Television Productions, Inc. v. McDonald's Corp.*, 562 F.2d 1157 (9th Cir. 1977); *Chappell & Co. v. Palermo Cafe Co.*, 249 F.2d 77 (1st Cir. 1957).

Since neither a reading of section (504(c) nor a review of its congressional history reveals whether it creates the right of trial by jury for statutory damages, we must decide whether the seventh amendment requires a jury trial in litigation involving minimum statutory damages.

The language of the seventh amendment is concise: "In Suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved. . . ." U.S.Const. amend. VII. In *Curtis* the Supreme Court quoted Justice Story in summarizing the accumulated understanding of "suit at common law" as that term was used by the drafters of the Bill of Rights in framing the seventh amendment.

The phrase 'common law,' found in this clause, is used in contradistinction to equity, and admiralty, and maritime jurisprudence. . . ." By *common law*, [the framers of the amendment] meant . . . not merely suits, which the *common law* recognized among its old and settled proceedings, but suits in which *legal* rights were to be ascertained and determined, in contradistinction to those where equitable rights alone were recognized, and equitable remedies were administered. . . . In a just sense, the amendment, then, may well be construed to embrace all suits which are not of equity and admiralty jurisdiction, whatever may be the peculiar form which they may assume to settle legal rights.

415 U.S. at 193, 94 S.Ct. at 1007-008 (quoting *Parsons v. Bedford*, 28 U.S. (3 Pet.) 433, 446-47, 7 L.Ed. 732 (1830)).

In *Beacon Theatres, Inc. v. Westover*, 359 U.S. 500, 79 S.Ct. 948, 3 L.Ed.2d 988 (1959), the Supreme Court held that the seventh amendment afforded a right to jury trial of legal issues even when equitable issues are involved in the same case: "Only under the most imperative circumstances. . . can the right to a jury trial of legal issues be lost through prior determination of equitable claims." *Id.* at 510-11, 79 S.Ct. at 956-57. That principal was reaffirmed in *Dairy Queen, Inc. v. Wood*, 369 U.S. 469, 82 S.Ct. 894, 8 L.Ed.2d 44 (1962), which found that jury trials must be provided even where the trial judge characterizes the legal issues as "incidental" to equitable issues. Neither language in the pleadings nor the nature of the defense could render a matter "purely equitable" so as to preclude a jury trial where there were legal issues. *Id.* at 478-79, 82 S.Ct. at 900.

There had been some uncertainty as to whether a suit to enforce rights created by congressional action should be characterized under the legal/equitable analytical framework as a "suit at common law." The Supreme Court in *Curtis, supra*, dissipated that confusion. The Court there said:

Whatever doubt may have existed should now be dispelled. The Seventh Amendment does apply to actions enforcing statutory rights, and requires a jury trial upon demand, if the statute creates legal right and remedies, enforceable in an action for damages in the ordinary courts of law [and]

when Congress provides for enforcement of statutory rights in an ordinary civil action in the district courts, where there is obviously no functional justification for denying the jury trial right, a jury trial must be available if the action involves rights and remedies of the sort typically enforced in an action at law.

415 U.S. at 194-95, 94 S.Ct. at 1008-09 (footnote omitted).

The decision as to a jury trial right in the case *sub judice* is thus reduced to determining whether the right to statutory damages provided by section 504(c) is a remedy that has been typically enforced in an action at law. We think both *Curtis* and *Barber* require an affirmative answer.

As we indicated in *Barber*, this pivotal analysis requires a two-part test. "First, are the rights and duties created by the statute analogous to rights and duties historically comprehended by the common law? Second, are the remedies sought legal rather than equitable in nature?" 577 F.2d at 225.

[3, 4] First, the underlying question is whether a legal or equitable base supports that part of the statutory scheme allowing a plaintiff to recover damages. The copyright statute, when first enacted, defined a new legal duty, but recovery for breach of that duty is analogous to recovery for a number of tort actions traditionally recognized at common law. See *Screen Gems-Columbia Music, Inc. v. Metlis & Lebow Corp.*, 453 F.2d 552, 554 (2d Cir. 1972); *Ted Browne Music Co. v. Fowler*, 290 F.2d 751, 754 (2d Cir. 1923). So viewed, copyright infringement is a tortious interference with a property right for which Congress created the remedy for damages. See *Screen Gems, supra*; *Ted Brown Music, supra*. The fact that it was created by statute makes it no less sounding in tort. See *Curtis, supra*, 415 U.S. at 195, 94 S.Ct. at 1009. We conclude that, as was the case regarding the statutes interpreted in *Curtis* and *Barber*, a civil action seeking damages for copyright infringement under 504(c) is basically an action for the enforcement of a legal right.

Second, section 504(c), the copyright infringement statute we now consider, provides a remedy of a type which traditionally would have been enforced at law. The copyright owners, in addition to the injunction, sought the minimum statutory damages of \$250.00 for each infringement. As the trial court held in *Chappell & Co. v. Pumpernickel Pub, Inc.*, 79 F.R.D. 528 (D.Conn.1977), this is analogous to the ancient civil action for debt. The analysis does not stop there, however. Even had the owners requested statutory damages in the allowable range above \$250 (i. e., not a specific amount), such would yet have been a remedy recoverable in an action at common law. The statute creates a concomitant right to injunctions but this says no more than that the total new package contains both equitable and legal remedies.

It is true that fact-finder's discretion is limited by section 504(c) to fixing damages within a specific range. This, however, is not a recent innovation. Statutory rights created by state legislators have circumscribed damage-fixing by juries in wrongful death actions, tortious interference with

mineral rights, usury actions, and many others. Congress has given the factfinder discretion in assessing damages in a number of statutes, including the Truth in Lending Act, *Barber, supra*; the fair housing provisions of the Civil Rights Act, *Curtis, supra*; and the antitrust laws, *Bigelow v. RKO Radio Pictures, Inc.*, 327 U.S. 251, 264, 66 S.Ct. 574, 579, 90 L.Ed. 652 (1946).

In our view, the application of the seventh amendment to the facts of this case mandates a trial by jury. This result is required by our holding in *Barber* and by the Supreme Court's holding in *Curtis*. The judgment of the district court denying the defendant's motion for a jury trial is therefore reversed and the case remanded for further proceedings consistent with the views expressed in this opinion.

REVERSED AND REMANDED WITH DIRECTIONS FOR JURY TRIAL.

GOLDSMITH v. MAX

No. 79 Civ. 6926

(United States District Court, S. D. New York—Decided March 31, 1981.)

213 USPQ 1008

Action by Lynn Goldsmith, against Peter Max, for copyright infringement. Judgment for defendant.

COPYRIGHTS

1. Notice of copyright

17 USC 401 details proper form of notice of copyright, consisting of three elements.

2. In general

Defenses—In general

Copyright statute requires valid registration certificate as condition precedent to maintaining infringement action.

3. Infringement—In general

Failure to allege proper registration number will not be deemed fatal to complaint for copyright infringement.

4. Infringement—In general

Alleged copyright owner must establish ownership of valid copyright and that accused copied the work, to prove infringement.

5. Infringement — In general

Notwithstanding that accused was creating new and possibly copyrightable work, where he was deriving it from copyrighted work, he was required to obtain consent of publisher of underlying work prior to distributing his own collage.

6. Infringement — In general

Plaintiff in copyright infringement action must demonstrate existence and validity of copyright, for, in absence of copyright protection, even original creations are in public domain and may be freely copied.

7. In general

Ownership and validity are established by introduction of certificate of copyright registration, which, if obtained within five years after first publication of work is *prima facie* evidence, of validity of copyright and facts stated in certificate; where transactions with Copyright Office cast serious doubt on question, validity will not be presumed.

8. Common law copyright

Copyright Act of 1976 effectively eliminated common law copyright.

9. In general

Copyright Act of 1976 exempted from its terms and protection any work which entered public domain before January 1, 1978; Copyright Act of 1909 and decisions thereunder, including pre-1978 publication and notice provisions, have continued applicability and are useful in determining whether work allegedly an infringement may have entered public domain prior to January 1, 1978.

10. Notice of copyright

Publication of copyrightable work with authority from owner injects work into public domain unless it is protected by giving of requisite notice; under 1909 Act, proprietor of copyright forfeited rights in work if proprietor authorized its publication without requisite notice.

11. Abandonment

Forfeiture of rights in work is distinguished from finding of abandonment, which requires overt act manifesting purpose to surrender rights in work and acquiescence in public copying of it.

12. Publications

Under 1909 Act Section 26, publication occurs when copies are placed on sale, sold, or publicly distributed by proprietor of copyright or under his authority; 1976 Act Section 101 similarly provides that publication occurs when, by consent of copyright owner, original or tangible copies of work are sold, leased, loaned, given away, or otherwise made available to general public.

13. Infringement — In general

Work has entered public domain under 1909 Act if it was published with owner's consent and without proper statutory notice; if it had entered public domain before January 1, 1978, there could be no copyright on work, and accordingly no infringement, under 1976 Act.

14. Notice of copyright

Plaintiff lacking presumption of copyright validity, must demonstrate that publication of work without copyright notice was unauthorized.

15. Notice of copyright

Publication of poster developed from slide, that was published and distributed with permission of copyright proprietor, and that contained no copyright notice in proprietor's name, injected subject matter work into public domain forfeiting proprietor's rights; purpose of notice is to advise public of proprietor's claim and, any notice will serve which in fact advises that there is proprietor who claims copyright.

16. Notice of Copyright

Second Circuit has endorsed position holding that, where magazine has purchased right of first publication under circumstances which show that author has no intention to donate his work to public, copyright notice in magazine's name is sufficient to obtain valid copyright on behalf of beneficial owner, author or proprietor; proprietor has failed to satisfy requisite elements of this approach where there is lacking any evidence of agreement or license wherein proprietor reserved proprietary rights in work and manifested intent not to donate work to public, and, also where there was no evidence that there was even copyright notice in magazine's name from which proprietor could derivatively claim protection; where no evidence was introduced by proprietor to demonstrate the fact, court cannot conclude that magazine contained copyright notice.

17. In general

Publication which injected work into public domain deprived it of potential for copyright protection.

18. Notice of copyright

Where copyright notice is on detachable tag that will eventually be detached or discarded when work is put into use, Copyright Office will reject application for copyright registration, and such tag containing proper copyright notice would nonetheless be ineffective in protecting proprietary rights in work.

19. Publication

Use of only 50% of plaintiff's slide to make pillow produced with plaintiff's permission without limitation on portion of slide used, without reservation of proprietary interest in photo, and without proper notice of copyright, placed entire photo in public domain.

20. Infringement — In general

Work that was in public domain on Jan. 1, 1978, effective date of legislation under which copyright certificate was secured cannot be subject of copyright infringement action.

21. Infringement-In general

Copyright that is invalid cannot be infringed.

A. Richard Golub, New York, N.Y., for plaintiff.

Samuel Ulrich Wiseman, and Miskin & Sutton, both of New York, N.Y., for defendant.

PIERCE, District Judge. This is a copyright infringement action, pursuant to 17 U.S.C. §411, brought by Lynn Goldsmith ("Goldsmith"), a commercial photographer, against Peter Max ("Max"), a well-known artist. The gravamen of plaintiff's complaint is that Max created a collage by painting over and using parts of a poster of rock star Mick Jagger which was enlargement of a Goldsmith photograph.

The matter was heard without a jury in a six day trial on the issue of liability. Having reviewed the evidence presented herein, including the exhibits of the parties and the testimony at trial and having evaluated the credibility of the various witnesses the Court sets forth hereinbelow its findings of fact and conclusions of law. Fed.R.Civ.P.52.

The Photograph

The photograph of Mick Jagger which forms the basis of this lawsuit was one of several taken by Goldsmith apparently without written permission or a release during a Jagger concert in New York's Madison Square Garden on July 25, 1972. The photograph depicts Jagger from the waist up, hands on hips, face in profile, wearing a black leather jacket open to the waist and a long red neck scarf.

[1] Each party has introduced slides which contain the alleged copyrighted image. The first of these, plaintiff's Exhibit 2, is held in a slide jacket (a white cardboard holder approximately two inches square) which bears a stamped, virtually indistinct legend down the side reading "Photo Lynn Goldsmith, Inc. 16 East 61st St., N.Y.C." together with an unreadable zip code. The defendant has introduced three copies of the same slide contained in similar holders. (Collectively Def. Exh. D). One has been stamped along the side with name "Lynn Goldsmith" and "23 E. 63rd N.Y.C." The address has been changed by hand to "23 E. 74th" and another address has been added by hand, "15 E. 61 St. N.Y. 10021". Along the bottom of the slide jacket is written "Mick Jagger". In the top left corner is written "PP78 Ti" and two letters which cannot be read. The remaining two slides introduced by the defendant merely contain the words "Duggal Color Projects" along the right side. None of the four slides introduced by the parties contains a statutory copyright notice. 17 U.S.C. § 401.¹

The Parties stipulated that the slides had been used to produce the Jagger image for at least three commercial ventures — a 26" × 40" poster produced by Personality Posters in 1972, a throw pillow produced by the Now Talent Company sometime after 1973, and an article in *Escapade* magazine in 1972. It is also agreed that each of these items appeared prior

¹17 U.S.C. § 401 details the proper form of notice consisting of three elements.

"(1) the symbol © (the letter C in a circle), or the word "Copyright", or the abbreviation "Copr."; and

"(2) the year of first publication of the work, in the case of compilations or derivative works incorporating previously published material, the year date of first publication of the compilation or derivative work is sufficient. The year date may be omitted where a pictorial, graphic, or sculptural work, with accompanying text matter, if any, is reproduced in or on greetings cards, postcards, stationery, jewelry, dolls, toys, or any useful article; and

"(3) the name of the owner of copyright in the work, or an abbreviation by which the name can be recognized, or generally known alternative designation of the owner."

to the time that Goldsmith applied for and received a copyright on the photo.

The Copyright

The complaint in this action alleges that Max infringes copyright No. VA 36-881 which Goldsmith holds on the slide. The certificate bearing this registration number (Pl. Exh. 4), dated November 16, 1979, states that the work was first completed in 1972 and lists no information in the box entitled: "Date and Nation of the First Publication." From the testimony at trial it appears that the plaintiff sought unsuccessfully to register the poster, the pillow and the Escapade magazine photo. On January 30, 1980 the Copyright Office, apparently acting sua sponte, cancelled the aforesaid registration No. VA 36-881 and returned a new registration certificate bearing No. VAU 13-741 (Pl. Exh. 5), a designation used to describe unpublished works. Significantly, neither the slide nor the slide jacket filed with the Copyright Office (Def. Exh. CC1-2) contains a copyright notice in Goldsmith's name. They merely state her name and address.

[2] The defendant argues that the complaint herein was predicated upon Certificate No. VA 36-881 which has been cancelled, that No. VAU 13-741 covers an unpublished work which is not the image on the slide at issue, and that there is, therefore, no valid registration certificate in effect. Since the statute requires a valid registration certificate as a condition for maintaining an infringement suit under § 411, *Esquire, Inc. v. Ringer*, 591 F.2d 796, 199 USPQ 1 (D.C. Cir. 1978), *cert. denied*, 440 U.S. 908, 201 USPQ 256 (1979), the defendant argues that the complaint should be dismissed.

[3] While the registration, cancellation and reissuance of the certificates for this work have occurred under wholly unclear circumstances, the failure to allege the proper registration number will not be deemed fatal to the complaint. *Frankel v. Stein & Day, Inc.*, 470 F.Supp. 209, 205 USPQ 51 (S.D.N.Y. 1979). Moreover, since the Court finds, as outlined hereinbelow, that the alleged copyright on this photograph is invalid, the issue of the validity of the registration certificate is moot.

The Max Serigraphs

In early 1973 defendant Max created a series of collages utilizing the Personality Poster copy of the Goldsmith photo. The poster contained a clear, albeit arguably invalid, copyright notice in the name of Personality Poster and a photo credit to Lynn Goldsmith. Nonetheless, without seeking approval from either party the defendant applied acrylic paint and collage materials to the poster. At the time Max did not intend to sell or otherwise reproduce the collage.

Several weeks thereafter Max was solicited to donate one of his works to a relief fund to benefit victims of the Nicaraguan earthquake. He selected one of the Jagger collages from which a limited serigraph edition of 350 prints was prepared. The original collage (Def. Exh. J) was to be auctioned for the benefit of the earthquake fund. Max subsequently withdrew from the Nicaraguan project and, after paying the printer of the serigraph edition, he took title to the prints. Although Max has sold only one of the serigraphs, he has distributed a number of copies as gifts.

[4, 5] To demonstrate copyright infringement the plaintiff must establish her ownership of a valid copyright and that the defendant copied her work. *Mazer v. Stein*, 327 U.S. 201, 217 (1954); *Reyher v. Children's Television Workshop*, 533 F.2d 87, 90 (2d Cir.), *cert. denied*, 424 U.S. 980 (1976).²

[6, 7] The central issue herein is whether plaintiff has demonstrated the existence and validity of her copyright, "for in the absence of copyright * * * protection, even original creations are in the public domain and may be freely copied." *Durham Industries Inc. v. Tomy Corporation*, 630 F.2d 905, 908 (2d Cir. 1980). Ownership and validity are generally established by introduction of the certificate of copyright registration which if "obtained within five years after first publication of the work shall constitute prima facie evidence of the validity of the copyright and of the facts stated in the certificate * * *." 17 U.S.C. § 410(c); *Reyher v. Children's Television Workshop*, *supra*, at 90. Here the Court declines to afford the copyright registration a rebuttable presumption of validity. The initial registration certificate was issued on November 16, 1979 (Pl. Exh. 4). The Personality posters were distributed in 1972 and 1973 more than five years earlier. Moreover, where, as here, the transactions with the Copyright Office "cast serious doubt on the question, validity will not be assumed." *Durham Industries, Inc. v. Tomy Corporation*, *supra*, at 908.

[8, 9] Plaintiff seeks protection under the Copyright Act of 1976, (Pub. L. 94-553, Title 1, § 101, October 19, 1976, 90 Stat. 2541, effective

²The second element, i.e., copying, is normally established indirectly by circumstantial evidence of defendant's access to the copyrighted work and an examination of the substantial similarity between plaintiff's copyrighted work and defendant's alleged infringing work. *Reyher v. Children's Television Workshop*, *supra*, at 90; *Arrow Novelty Co., Inc. v. Enco National Corp.*, 393 F.Supp. 157, 160, *aff'd* 515 F.2d 504 (2d Cir. 1975); 3 Nimmer ¶ 13.03[A]. Here the access is clear, the painting upon the poster depicting plaintiff's photograph is admitted by Max. Notwithstanding that he was creating a new and possibly copyrightable work of art, he was deriving it from an allegedly copyrighted work. He was required to obtain the consent of the publisher of the underlying work prior to distributing his own collage. *H.C. Wainwright & Co. v. Watt St. Transcript Corp.*, 418 F.Supp. 620 (S.D.N.Y. 1976). Since the works are substantially similar and access was conceded, if Goldsmith were to have a valid copyright on the Personality poster, her rights might well have been infringed by the Max serigraphs.

January 1, 1978). That Act effectively eliminated common law copyright, 1 Nimmer § 2.02, and exempted from its terms and protection any work which entered the public domain before January 1, 1978. Section 103, Pub. L. 94-553, Title I, October 19, 1976, 90 Stat. 2599; 1 Nimmer §2.03(G). Because of this limitation on the 1976 Act, the Copyright Act of 1909 and decisions thereunder, including the pre-1978 publication and notice provisions, have continued applicability and are useful in determining whether a work allegedly infringed may have entered the public domain prior to January 1, 1978.

[10, 11, 12, 13] The publication of a copyrightable work with authority from the owner will inject that work into the public domain unless it is protected by the giving of the requisite notice. *National Comics Publications v. Fawcett Publications*, 191 F.2d 594 (2d Cir. 1951); *Letter Edged in Black Press v. Public Bldg. Comm. of Chicago*, 320 F.Supp. 1303, 1308 (N.D.Ill. 1970); *American Fabrics Co. v. Lace Art, Inc.*, 291 F.Supp. 589, 590 (S.D.N.Y. 1968). Thus, under the 1909 Act the proprietor of a copyright would forfeit³ her rights in a work if she authorized its publication without the requisite notice. *Bell v. Combined Registry Company*, 536 F.2d 164, 168 (7th Cir. 1976). Under §26 of the 1909 Act publication occurs when copies are placed on sale, sold, or publicly distributed by the proprietor of the copyright or under her authority. Section 101 of the 1976 Act similarly provides that publication occurs when by consent of the copyright owner, the original or tangible copies of a work are sold, leased, given away or otherwise made available to the general public. 1 Nimmer §§ 4.04. The central issue of this litigation is, therefore, whether Goldsmith's photograph entered the public domain—was published with her consent and without the proper statutory notice—before January 1, 1978. If it had entered the public domain there could be no copyright on the work and accordingly, no infringement.

The Goldsmith photo has been used to create at least three products which were distributed to the public—the Personality poster, the Escapade magazine page and pillow. The Court will consider each of these distributions individually to determine which, if any, injected Goldsmith's work into the public domain.

The Poster

The focus of this litigation is clearly the reproduction of Goldsmith's photo on the poster which Max admittedly used to create his collage—the alleged infringing work. Goldsmith testified that in December 1972 she

³This forfeiture is distinguished from a finding of abandonment which requires an overt act manifesting a purpose to surrender rights in the work and an acquiescence in the public copying of it. On the other hand, "[a]n author, whose work is 'forfeited', need have had no such purpose, and ordinarily does not; it was indeed long doubtful whether he did 'forfeit' his rights by publication, and when it was settled that he did, the result was a consequence, imposed invitum upon him because of his failure to comply with the prescribed formalities." *National Comics Publications v. Fawcett Publications*, 191 F.2d 594, 598 (2d Cir. 1952).

granted a license for her photograph to be reproduced in poster form by Personality Posters, Inc. For this she was to receive royalties and "an appropriate photo credit." She further testified that she entered into a written agreement with Personality (Tr. 146) which included a provision that the copyright notice was to be in the name of Personality Posters "for their line of posters" but that she "maintained [her] copyright to the photograph." Robert Schwartz, a principal of Personality, also testified that Goldsmith had told him she intended to keep her copyright. Significantly, the written agreement between Personality and Goldsmith which purportedly contained this reservation was not introduced.

The poster widely distributed in 1972 and 1973, contained the following "copyright" notice. "c Personality Posters 641 Sixth Avenue New York, NY 10011 Printed in USA Photo/Lynn Goldsmith." The c was not encircled. Goldsmith testified that she saw the posters almost immediately after they were printed. Although she had immediate knowledge of the lack of copyright notice in her name, it was not until approximately one year after the posters were initially released that Goldsmith's attorney's drafted a complaint which was to have been filed in Supreme Court, New York County, against Personality (Def. Exh. I) charging failure to render royalty statements and pay royalties. That complaint alleged neither breach of contract nor failure to provide copyright notices. It referred to the royalty agreement which was purportedly annexed as Exhibit A. However the document produced at trial had no royalty agreement attached. The complaint was apparently never filed and the matter was settled without intervention of the court. Personality agreed to stop distributing the Goldsmith poster and to pay royalties. Although there was testimony that the agreement between plaintiff and Personality was written, it was not introduced into evidence during the trial of the instant action. More importantly, Goldsmith testified that she saw copies of the poster after the agreement was signed but took no action to restrain distribution or to enforce the settlement agreement with respect to the copyright.

Notwithstanding plaintiff's testimony that she intended to safeguard her proprietary rights in the photo, 100,000 posters of the photo bearing no copyright in Goldsmith's name were printed and distributed with Goldsmith's knowledge.⁴ There is insufficient credible evidence from which this Court can conclude that Goldsmith reserved her copyright in the claimed agreement by which she authorized Personality to use her slide. Moreover, there is nothing from which the Court may conclude that even if the rights were reserved, Goldsmith exercised those rights by promptly halting distribution of the posters.

In examining a similar situation involving the publication of the Superman comic strip, the Second Circuit looked to the language of the contract

⁴The complaint in the action which Goldsmith planned to file in New York State Supreme Court sought recovery of royalties on 100,000 posters. (Def. Exh. I).

authorizing use to determine if proprietary rights were protected and forfeiture avoided. In *National Comics, Inc., v. Fawcett Publications*, 191 F.2d 594 (Cir. 2d 1951), the defendant sought to defeat a charge of copyright infringement claiming that the plaintiff had forfeited his rights in the work when he authorized the work to be published without the requisite notice. Judge Learned Hand writing for the panel wrote:

“The question is whether the absence or the imperfection of the notices on these ‘strips’ forfeited their copyrights when they were published in the syndicated newspapers. The answer depends on the contract of borrowing. Section 10 [of the 1909 Act] provides that the first publication of a ‘work’ with the ‘required’ notice secures the copyright; but it implies that a failure to affix the notice upon each copy, later published ‘by authority of the copyright proprietor’ will ‘forfeit’ it . . .” *Id.* at 601.

The Court concluded that if there were an unconditional license to publish the strips, publication without notice would be by authority of the copyright owner thereby forfeiting his proprietary rights in the work. On the other hand, if there were a promise to affix the requisite notice the performance of that promise would be a condition of the license. Under the latter circumstances publication without notice would be without authority of the copyright proprietor and there would be no forfeiture.

[14] Lacking the presumption of copyright validity, the plaintiff must demonstrate that the publication of her work on the Personality poster without copyright notice was unauthorized. The Court finds that the plaintiff has not carried that burden. Schwartz and Goldsmith offered evidence to show that Goldsmith intended to protect her rights in the photo, yet the record is devoid of evidence from which it can be concluded that she in fact protected those rights. From the lack of reference to copyright protection in the plaintiff’s state court complaint against Personality it is reasonable to infer, as the Court does, that the unavailable license or royalty agreement with Personality was silent on copyright protection.

[15] Accordingly, the Court finds that the Personality poster of Mick Jagger which was developed from plaintiff’s slide was published and distributed with the permission of the copyright proprietor—Goldsmith. Since the poster contained no copyright notice in plaintiff’s name, the publication injected the subject work into the public domain and Goldsmith’s rights in the work were thereby forfeited.

However, construing the notice requirements liberally it is arguably possible that Personality’s defective copyright notice could protect Goldsmith “[S]ince the purpose of the notice is to advise the public of the ‘proprietor’s’ claim, any notice will serve which does in fact advise it that there is a ‘proprietor’ who does claim copyright.” *National Comics Publications v. Fawcett Publications*, *supra*, at 602. However, even if Goldsmith protected her proprietary rights in the photograph when it was

used by Personality to produce the poster, the credible evidence at trial regarding the publication of the photos on the pillow and in Escapade magazine confirm that the subject work was injected into the public domain at least six years before Goldsmith registered her copyright.

Escapade Magazine

Goldsmith testified that in early 1972 she authorized the slide to appear in photo form in Escapade magazine, a predecessor to Gallery magazine. The record makes clear that Goldsmith received remuneration for this use of her slide. (Tr. 62). The record is silent as to whether the slide casing in which the slide was transmitted to Escapade contained any copyright in Goldsmith's name. In light of all the evidence it is reasonable to infer that it did not.⁵ The image in the Escapade photo (Def. Exh. A), introduced as a single $8 \times 10\frac{3}{4}$ " page removed from the magazine, is a slightly cropped identical reproduction of the Goldsmith slide at issue. The undated magazine tearsheet contains the words "Mick Jagger: Eros Personified by Mike Jahn" in the upper right corner but this caption does not interfere with the Jagger image portrayed in the photograph. Significantly, the page contains no copyright notice or photocredit of any kind and neither side has introduced the magazine from which the page was removed.

[16,17] Plaintiff's counsel argues that the magazine's copyright is sufficient to protect the plaintiff's right in her photograph published therein. In *Goodis v. United Artists Television, Inc.*, 425 F.2d 397, 399, 165 USPQ 3, 4 (2d Cir. 1970) this Circuit endorsed plaintiff's position holding "where a magazine has purchased the right of first publication under circumstances which show that the author has no intention to donate his work to the public, copyright notice in the magazine's name is sufficient to obtain a valid copyright on behalf of the beneficial owner, the author or proprietor." But cf., *Mifflin v. R.H. White Co.*, 190 U.S. 260 (1903); *Moger v. WHDH*, 194 F.Supp. 605, 130 USPQ 441 (D. Mass. 1961). However, plaintiff has failed to satisfy the requisite elements of *Goodis*. Lacking here is any evidence of an agreement or license wherein plaintiff reserved her proprietary rights in the photograph and manifested her intent not to donate her work to the public. More significantly, there was no evidence that there was even a copyright notice in the magazine's name from which plaintiff could derivatively claim protection. In this instance Goldsmith clearly authorized use of her photograph in a periodical available to the public. Since no evidence was introduced by plaintiff to demonstrate the fact, the Court cannot conclude that the magazine contained a copyright

⁵On the basis of the evidence adduced at trial the Court concludes that at no time when Goldsmith conveyed the slide to licenses did the slide jacket contain a copyright notice of any kind.

notice. Clearly, this publication injected plaintiff's work into the public domain and deprived it of the potential for copyright protection.

The Pillow

In November 1973 plaintiff entered an agreement with Now Talent Co., Ltd. (hereinafter "Now Talent") wherein she granted a license for her photograph of Mick Jagger to be used in the manufacture, sale and distribution of pillows. (Def. Exh. DD). Now Talent agreed to compensate Goldsmith with royalties in the "amount of ten cents for each pillow sold, bartered or distributed in any other manner." (Def. Exh. DD. ¶ 5). In the agreement Now Talent also acknowledge receipt of the Goldsmith photograph and agreed to be responsible for loss or damage to it. (Def. Exh. DD ¶ 4). While the agreement clearly described Goldsmith as the owner of the photograph, there is no mention of her copyrights or her proprietary interest in the slide.

Also introduced at trial was an agreement between Sunday Promotions, Inc., described as the owner of "the right to use and to permit others to use the likeness, name and signature of * * * Mick Jagger * * * in connection with commercial ventures." (Pl. Exh. 18) and the Now Talent Co., Ltd. the document grants Now Talent a license to use the Jagger likeness on bed linens, pillow cases, beach towels and throw pilows. This agreement, executed on February 13, 1973, nine months prior to the agreement between Now Talent and Goldsmith provides that Now Talent "shall obtain copyright protection if available in each of the articles in the name of Owner [Sunday Promotions, Inc.] as proprietor and shall execute and deliver any documents reasonably required to confirm Owner's absolute title therein subject only to the rights granted to Licensee hereby." (Pl Exh. 18 ¶ 11). On December 11, 1973 Now Talent notified Sunday promotions of their agreement with Goldsmith and conveyed a copy of the photograph to Sunday. (Def. Exh. EE). The notice contained no reference to copyright rights retained by Goldsmith or her proprietary rights in the work.

A pillow containing approximately 50% of Goldsmith's photo was subsequently produced and distributed by Now Talent. (Pl. Exh. 6). The pillow introduced at trial contained no copyright in the name Now Talent, Sunday Promotions or Lynn Goldsmith. Goldsmith contends that the requisite notice of copyright was given on a tag attached to the pillow which had subsequently become detached and was unavailable. Her testimony is ambiguous regarding whose name was actually listed on the tag as holder of the copyright.

[18] Were the tag to have existed and contained Goldsmith's name in the copyright notice it would nontheless be ineffective in protecting her proprietary rights in the photo. Where "[a] notice is on a detachable tag and

will eventually be detached or discarded when the work is put into use” 37 C.F.R. § 202.2(b)(9); *Peter Pan Fabrics v. Dixon Title Corp.*, 188 F.Supp. 235, 127 USPQ 329 (S.D.N.Y. 1960); *Scarves by Vera, Inc. v. United Merchants & Mfrs., Inc.*, 173 F.Supp. 625, 121 USPQ 578 (S.D.N.Y. 1959), the Copyright Office will reject an application for copyright registration.

[19, 20] With the introduction of the Now Talent pillow sometime after November 1973, Goldsmith’s photo of Jagger was once again injected into the public domain. The item was produced with Goldsmith’s permission; she did not protect or reserve her proprietary interest in the photo; the pillow most likely contained no copyright notice in Goldsmith’s name and ineffective notice in Sunday or Now Talent’s name. To overcome this lack of effective notice plaintiff urges that only 50% of her slide was used to made the pillow and the pillow was distributed after Max’s alleged infringement. The Court finds these arguments unpersuasive. The Goldsmith agreement with Now Talent did not restrict the percentage of the image which could be used. Goldsmith authorized unlimited use of her slide, without reserving her copyright. When the slide was subsequently used to produce the pillow, the entire slide entered the public domain. Similarly, the fact that the pillow postdates the alleged infringement is of no import. The central issue is not whether the work was in the public domain when Max copied it, but rather whether the work was in the public domain in January 1, 1978, the effective date of the legislation under which plaintiff secured her copyright certificate. (See, pp. 6–7 *supra*).

Conclusion

[21] Having examined each of the aforesaid published items which utilized the Jagger image produced by Goldsmith, the court concludes that the plaintiff’s photograph entered the public domain prior to January 1, 1978. Accordingly, the plaintiff’s copyright is invalid and could not be infringed.

The relief sought by plaintiff is denied.⁶

The Clerk shall enter judgment for defendant. Each side shall bear its own costs. SO ORDERED.

⁶In light of the foregoing opinion the Court need not consider the merits of the affirmative defenses set forth on Max’s behalf.

GRACEN v. The BRADFORD EXCHANGE, LTD., et al.

No. 78 C 4932

(United States District Court, N. D. Illinois, E. Div. — Decided November 19, 1981)

217 USPQ 936

[See also 217 USPQ 940, 46 C.O.Bull. 622 (N.D. Ill., Apr. 23, 1982); 698 F.2d 300, 217 USPQ 1294, 47 C.O.Bull.__(7th Cir.—*Affirmed in part and vacated and remanded in part*, Jan. 12, 1983)]

Action by Jorie Gracen, against The Bradford Exchange, Ltd., Metro-Goldwyn-Mayer, Edwin M. Knowles China Company, and James Auckland, for copyright infringement, in which The Bradford Exchange, Ltd. and Metro-Goldwyn-Mayer counterclaim for copyright infringement. On defendants' motion for partial summary judgment. Motion granted.

COPYRIGHTS**1. In general**

Even original creations are in public domain and may be freely copied, absent copyright protection.

2. In general

Certificate of registration creates no irrebuttable presumption of copyright validity; where other evidence in record casts doubt on question, validity is not assumed.

3. Matter copyrightable—In general

Copyright originality requirement is rooted in Article 1, Section 8 of Constitution, and made explicit in 1976 Copyright Act, 17 USC 102.

4. Matter copyrightable—In general

What is required for originality is creation of work by author's own skill, labor, and judgment.

5. Matter copyrightable—In general

Test of originality establishes low threshold of copyrightability, in that all that is needed is author's contribution of something more than merely trivial variation, something recognizably his own; work must be independently created, and not product of actual copying; purpose of copyright law is to protect creation, not mechanical skill.

6. Matter copyrightable—In general

Fact that painting and sketches are derivative works is in itself no bar to copyrightability, as derivative works are explicitly included in subject matter of copyright as defined by Copyright Act.

7. Infringement—In general

Derivative works are saved from being infringing works only when borrowed or copied material was taken with consent of prior work's copyright owner, or when prior work has entered public domain.

8. Matter copyrightable—In general

Scope of protection afforded derivative works reflects degree to which work relies on preexisting material and must not affect or infringe upon scope of any copyright protection in that preexisting material; therefore, only aspects of derivative works entitled to copyright protection are non-trivial, original features, if any, contributed by creator.

9. Matter copyrightable--In general

In general, applicable standard for quantum of originality necessary in such works is that of "distinguishable variation"; additional matter injected in prior work or manner of arranging or otherwise transforming prior work must constitute more than minimal contribution; trivial elements of compilation and arrangement are not substantial variations, and thus fall below threshold of originality.

10. Matter copyrightable—In general

Statute commands that protection of derivative work does not affect scope of copyright protection in underlying work.

11. Pleading and practice in courts—Motions—For summary judgment—Issues determined

In case of summary judgment motion, works themselves supersede and control any allegations of conclusions of fact about them or descriptions of them.

Norman E. Goldman, and Shulman & Goldman, both of Chicago, Ill., for plaintiff.

Arthur Don, Robert W. Gettleman, and D'Ancona & Pflaum, all of Chicago, Ill., for defendants.

LEIGHTON, *District Judge*. This cause is before the court on defendants' motion for partial summary judgment, which seeks complete adjudication of plaintiff's amended complaint, but does not address the counterclaim filed by two of the defendants, The Bradford Exchange, Ltd. and Metro-Goldwyn-Mayer, Inc. In her amended complaint, plaintiff Jorie Gracen alleges that defendants Metro-Goldwyn-Mayer, Inc., The Bradford Exchange, Ltd., Edwin M. Knowles China Corporation, and James Auckland infringed her copyright registrations on a painting and five drawings derived from the motion picture, "The Wizard of Oz." Defendants contend that plaintiff's derivative works do not satisfy the originality requirement imposed by the Constitution and the Copyright Act, and thus, as a matter of law, she has no valid copyrights. To date, no cases in the Seventh Circuit have specifically addressed the originality requirement with regard to derivative works.

In an order dated January 21, 1980, this court denied cross-motions for summary judgment, concluding that unresolved issues of material fact precluded judgment for either plaintiff or certain named defendants at that time. Defendants made the present motion for partial summary judgment in response to the amended complaint filed in April, 1981. The record is now more fully developed, and after considering the motion, pleadings, briefs and documentary evidence, the court concludes that defendants' motion must be granted. When this matter was before the

court on October 2, 1981, the court indicated its intention to rule in favor of defendants. The issuance of a memorandum opinion in support of this decision had been delayed until now, in part because of plaintiff's failure to cite any case law or authoritative source whatsoever to sustain her arguments, and also because of the demands a crowded docket make on the court's time.

I.

It is undisputed that defendant Metro-Goldwyn-Mayer, Inc. possesses the underlying copyright in the motion picture "The Wizard of Oz," and also all rights to the names, likenesses, photographs, and representations of characters in the motion picture. These rights were licensed to defendant The Bradford Exchange, Ltd. in August, 1976, for use in connection with a series of collector's plates Bradford intended to issue. To that end, Bradford solicited paintings on the character of Dorothy as played by Judy Garland in the movie, instructing the artists as to the theme, basic composition, and tone of the work. In addition to written guidelines, Bradford provided the artists with photographs from the motion picture. In its letter to the prospective artists, Bradford states "We do want *your* interpretation of these images, but your interpretation must evoke all the warm feeling the people have for the film and its actors. So, your Judy/Dorothy must be very recognizable as everybody's Judy/Dorothy." (Exhibit submitted with plaintiff's memorandum in opposition to defendants' motion for partial summary judgment.) (Emphasis in the original.)

Plaintiff, who was working in a temporary capacity in Bradford's order processing department at the time, prepared and submitted a painting in accordance with these guidelines in the hope of obtaining the commission for the artwork for the entire plate series. Like the other persons submitting such paintings of Dorothy, she was paid \$200 by Bradford. She subsequently produced five pencil sketches of other actors/characters from the film, in keeping with the proposed titles for other plates in the series. On the basis of her painting of Dorothy, Gracen was chosen as the preliminary winner of the contest for the "Wizard of Oz" commemorative plate series. Subsequently, she failed to reach an agreement with Bradford on the contract.

In preparing her painting and sketches, plaintiff relied upon motion picture frames and still photographs from the film provided by Bradford, along with her own recollections of the movie itself. This same material formed the basis of the paintings produced by defendant Auckland, who was retained by Bradford to do the series after they failed to come to terms with Gracen. Additionally, Auckland was given a transparency of the painting of Dorothy done by Gracen. There is no evidence that he was ever shown plaintiff's pencil drawings of the other characters. Auckland

thereafter produced eight paintings which were used by Bradford in its collector's plate series.

Plaintiff secured a United States copyright registration on her painting of Dorothy in December, 1976, and on her five pencil drawings in March, 1977. She instituted the present action against the named defendants in December, 1978. Count I of her complaint alleges that the defendants infringed her copyright in the painting of Dorothy which plaintiff submitted to Bradford. In Count II, plaintiff similarly claims that the defendants infringed her copyrights to the five pencil drawings of other characters and scenes from "The Wizard of OZ." In her amended Count III, plaintiff seeks compensatory and punitive damages for alleged damage to her professional career.

[1, 2] All of the allegations of infringement in plaintiff's complaint assume the existence and validity of her copyrights in the works she submitted to Bradford, for in the absence of copyright protection, even original creations are in the public domain and may be freely copied. *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 140 USPQ 524 (1964); *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234, 140 USPQ 528 (1964). A certificate of registration creates no irrebuttable presumption of copyright validity. Where other evidence in the record casts doubt on the question, validity will not be assumed. *Durham Industries, Inc. v. Tomy Corp.*, 630 F.2d 905, 908, 208 USPQ 10, 13 (2nd Cir. 1980). See *Gardenia Flowers, Inc. v. Joseph Markovits, Inc.*, 280 F.Supp. 776, 157 USPQ 685 (S.D.N.Y. 1968). See also *Bailie v. Fisher*, 258 F.2d 425, 117 USPQ 334 (U.S. App. D.C. 1958). Thus, the issue before the court in the present motion is whether, as a matter of law, plaintiff's works meet the requirements for copyrightability.

II.

[3, 4] The leading authority on copyright law calls the concept of originality, that the work be the original product of the claimant, "the one pervading element prerequisite to copyright protection regardless of the form of the work." 1 M. Nimmer, *The Law of Copyright* § 2.01 at 2-5 (1981). This originality requirement is rooted in Article 1, § 8 of the Constitution, and made explicit in the 1976 Copyright Act, 17 U.S.C. § 102. See H. Rep. No. 1476, 94th Cong., 2nd Sess. 51, reprinted in [1976] U.S. Code Cong. & Ad. News 5659, 5664. Originality has been distinguished from novelty, uniqueness and ingenuity. *Wihtol v. Wells*, 231 F.2d 550, 553, 109 USPQ 200, 202 (7th Cir. 1956); See *Best Medium Pub. Co. v. National Insider, Inc.*, 385 F.2d 384, 386, 155 USPQ 550 (7th Cir. 1967), cert. denied, 390 U.S. 955, 156 USPQ 720 (1968); *Gelles-Widmer Co. v. Milton Bradley Co.*, 313 F.2d 143, 146, 136 USPQ 240, 242 (7th Cir. 1963), cert. denied, 373 U.S. 913, 137 USPQ 913 (1963). What is required is that a

work has been created by the author's own skill, labor, and judgment. *Baldwin Cooke Co. v. Keith Clark, Inc.*, 383 F.Supp. 650, 654, 183 USPQ 209, 211 (N.D.Ill. 1974), *aff'd*, 505 F.2d 1250, 183 USPQ 769 (7th Cir. 1974).

[5] The test of originality establishes a low threshold of copyrightability, in that all that is needed is the author's contribution of something more than a merely trivial variation, something recognizably his own. *Alfred Bell & Co. v. Catalda Fine Arts, Inc.*, 191 F.2d 99, 102-103, 90 USPQ 153, 156-157 (2nd Cir. 1951). The work must be independently created, and not a product of actual copying. *Id.* See *Wihtol v. Wells*, 231 F.2d at 553, 109 USPQ at 202. "No matter how poor artistically the 'author's' addition, it is enough if it be his own." *Id.* See *Bleistein v. Donaldson Lithographing Co.*, 188 U.S. 239, 250 (1903). However, it has been held that the mere reproduction of a work of art in a different medium, or by demonstration of some "physical" as opposed to "artistic" skill does not satisfy the originality requirement for copyrightability, in the absence of some substantial rather than trivial variation. *L. Batlin & Son, Inc. v. Snyder*, 536 F.2d 486, 491, 189 USPQ 753, 756 (2d Cir. 1976), *cert. denied*, 429 U.S. 857, 191 USPQ 588 (1976). "The purpose of the copyright law is to protect creation, not mechanical skill." *Shapiro Bernstein & Co., Inc. v. Miracle Record Co. Inc.*, 91 F.Supp. 473, 475, 85 USPQ 39, 40 (N.D.Ill. 1950).

[6, 7, 8] Plaintiff's painting and sketches are admittedly derived from the well-recognized copyrighted characters and images of the motion picture, "The Wizard of Oz." That they are derivative works is in itself no bar to copyrightability, as derivative works are explicitly included in the subject matter of copyright as defined by the Copyright Act. 17 U.S.C. § 103 (1976).¹ However, the derivative nature of plaintiff's works raises unique considerations. Such works are "saved from being an infringing work only because the borrowed or copied material was taken with the consent of the copyright owner of the prior work, or because the prior work has entered the public domain." 1 M. Nimmer, § 3.01 at 3-3 (1981). Thus, the scope of protection afforded must reflect the degree to which the work relies on preexisting material and must not in any way affect or infringe upon the scope of any copyright protection in the preexisting material. 17 U.S.C. § 103(b); See *Durham Industries, Inc. v. Tomy Corp.*, 630 F.2d 905, 909, 208 USPQ 10, 13-14 (2nd Cir. 1980). Therefore, the only aspects of derivative works entitled to copyright protection are the non-trivial, original features, if any, contributed by the creator. *Id.* See 1 M. Nimmer, § 3.04 at 3-12.1.

¹Because none of their parties have addressed this issue in any of their submissions, the court will not pursue the question of the applicability of the 1976 Copyright Act to this cause of action.

[9] In general, the applicable standard for the quantum of originality necessary in such works is that of "distinguishable variation." 1 M. Nimmer, § 3.03 at 3-11. See *Rexnord, Inc. v. Modern Handling Systems, Inc.*, 379 F.Supp. 1190, 183 USPQ 413 (D.C. Del. 1974) (Treatise cited. "[T]he additional matter injected in a prior work or the manner of arranging or otherwise transforming a prior work must constitute more than a minimal contribution." 1 M. Nimmer, § 3.03 at 3-9. Trivial elements of compilation and arrangement are not substantial variations, and thus fall below the threshold of originality. *United States v. Hamilton*, 583 F.2d 448, 451, 200 USPQ 14, 17 (9th Cir. 1978); *L. Batlin & Son, Inc., v. Snyder*, 536 F.2d at 490, 189 USPQ 753; *Chamberlin v. Uris Sales Corp.*, 150 F.2d 512, 513, 65 USPQ 544, 544-545 (2nd Cir. 1945).

In applying these principles to the case at bar, the court concludes that plaintiff has not demonstrated and the works themselves do not reflect the independent creation necessary to support a copyright. As plaintiff has pointed out, there are a number of trivial variations in her works which are different from any one scene or photograph upon which she relied. However, there appears to be no consequential variation from the source material taken as a whole. Moreover, there is nothing which is recognizably plaintiff's own contribution that sets her painting and drawings apart from the already copyrighted "Wizard of Oz" images with which the public is familiar. Her transfer of the well-recognized "Wizard of Oz" characters and scenes into a pictorial medium cannot, in and of itself, satisfy the originality requirement for copyrightability.

As was previously stated, case law from the Seventh Circuit has not directly discussed the question of the originality requirement with respect to derivative works. However, the court finds persuasive authority in two cases recently decided by the Second Circuit.² In a case involving the allegedly invalid copyright of a derivative work of art, the court expressed its concern that "to expand copyrightability to minuscule variations would simply put a weapon for harassment in the hands of mischievous copiers intent on appropriating and monopolizing public domain work." *L. Batlin & Son, Inc. v. Snyder*, 536, F.2d at 492, 189 USPQ 753. This court finds the potential for abuse even greater in circumstances such as those in the case at bar, where copyright on a work derived from previously copyrighted material is being sought.

[10] In a case directly on point, the Second Circuit granted summary judgment against a copyright claimant who produced a derivative work admittedly taken from well-recognized and copyrighted Walt Disney characters. *Durham Industries, Inc. v. Tomy Corp.*, 630 F.2d 905, 208 USPQ 10 (2nd Cir. 1980). As in the present case, the plaintiff in *Durham*

²According to Professor Nimmer, "ordinarily a copyright decision by the prestigious Second Circuit Court of Appeals stands as unquestioned law." 1 M. Nimmer, § 3.07 [A] at 3-31.

alleged that a licensee of the underlying copyright holder copied its derivative work. In holding that the derivative works did not contain sufficient originality to warrant copyright protection, the court concluded that the originality requirement imposed by the Constitution and the Copyright Act has particular significance in the case of derivative works based on copyrighted preexisting works. *Id.* at 911, 208 USPQ at 15. Like the Durham court, this court's concern is with carrying out the statutory command that protection of a derivative work not affect the scope of copyright protection in an underlying work. *Id.* at 910, 208 USPQ at 14.

[11] The court does not give great weight to plaintiff's argument that the descriptive terms used by Bradford in the artwork solicitation letter and in the promotional material pertaining to Gracen which it had prepared should be determinative of the question of originality. In Durham, the court affirmed the trial court's granting of summary judgment relying solely upon the exhibits before them. The court held that as a matter of law, the claimant's derivative work did not merit copyright protection. In the case of a motion for summary judgment, the works themselves supersede and control any allegations of conclusions of fact about them or descriptions of them. *Shipman v. R.K.O. Radio Pictures, Inc.* 20 F. Supp. 249, 35 USPQ 242 (S.D.N.Y. 1937), *aff'd* 100 F.2d 533, 40 USPQ 211 (2d Cir. 1938).

Thus the court concludes that as a matter of law, plaintiff's derivative works do not exhibit sufficient originality to meet the requirements for copyrightability. In the absence of a valid copyright upon which to base this infringement action, the court does not find it necessary to address the questions raised in plaintiff's complaint as to Auckland's access to Gracen's drawings, the degree to which he may have copied her drawings or her painting, or the alleged damage to her professional career. Accordingly, defendants' motion for partial summary judgment is GRANTED.

**GREEFF FABRICS, INC. v. SPECTRUM FABRICS CORPORATION,
et al.**

No. 81 Civ. 5426

(United States District Court, S. D. New York—Decided October 23, 1981)

217 USPQ 498

Action by Greeff Fabrics, Inc., against Spectrum Fabrics Corporation and Atelier Originals, Inc., for copyright infringement. On plaintiff's motion for preliminary injunction. Motion granted.

COPYRIGHTS

1. Infringement—In general

Only two basic elements are essential to establishment of prima facie case of infringement in copyright case, ownership of copyright by plaintiff, and copying by defendant.

2. In general

Copyright registration certificate constitutes prima facie evidence of ownership and validity of copyright, and satisfaction of statutory formalities is presumed by virtue of registration certificate.

3. Infringement—Evidence of

It may be inferred that copying occurred when access and substantial similarity have been established.

4. Infringement—Evidence of

Fact that defendant had apparently been engaged in infringing plaintiff's copyrighted works before present litigation is not inconsequential.

UNFAIR COMPETITION

5. Fraud, deception and palming off

Lanham Act Section 43(a) creates federal remedy for unfair competition that embraces false descriptions and representations.

6. Fraud, deception and palming off

Defendant may use fictitious name in promoting its product as long as there is not deception as to source.

7. Injunction—Unfair competition

Fraud, deception and palming off

Lanham Act bars actual as well as potential deception, and injunctive relief is warranted where false representations have tendency to deceive consumer; actual deception need not be established, as long as misleading description or designation has tendency to deceive or is likely to cause confusion.

Stoll & Stoll, New York, N.Y. (Robert Stoll and Doris S. Hoffman, both of New York, N.Y., of counsel) for plaintiff.

Seidel, Gonda, Goldhammer & Panitch, Philadelphia, Pa. (Arthur H. Seidel, Philadelphia, Pa., of counsel) for defendant.

CARTER, *District Judge*. Plaintiff, Greeff Fabrics, Inc., (“Greeff”), founded in 1933, is engaged as a supplier in the interior design trade. Plaintiff, one of many small companies in the industry, designs and sells fabrics to furniture manufacturers and the interior design trade for use in home decorations. The former is located in North Carolina and the latter throughout the United States. Plaintiff employs colorists, designers and stylists. A design is created, tested, printed on fabric in its English plant, warehoused in the United States and then sold to furniture manufacturers and the interior design trade.

Defendant, Spectrum Fabrics Corporation (“Spectrum”)¹ has been engaged in designing and selling fabrics for a number of years through predecessor companies. It was at one time owned by Consolidated Foods, but the company was bought back and is currently an independent operation owned by a venture capital company and four partners. It handles about 100 different designs annually. Defendant has its designs printed on fabric, and the designed fabric is then sold to furniture manufacturers, department stores and individual jobbers.

In 1975 Virginia Nepodal, Greeff’s head designer in its New York studio for 22 years, showed her co-worker a sketch of an old quilt which had been left to her about 30 years previously and asked that a design be created from the sketch using early American motifs. The design when completed was called Mary Randolph and was registered in the United States Patent Office on February 15, 1975, and given copyright registration No. Gp 96924. It proved to be one of plaintiff’s more successful designs, and plaintiff was selling approximately 3,000 yards of the fabric per quarter to furniture manufacturers, at a per yard cost of \$6.75. (This figure is since 1980). Mary Randolph is a patchwork design done in muted colors which Nepodal described as a Greeff signature, and in staggered lines which was also, according to Nepodal, a feature that distinguished Greeff products from that of other fabric designers.

In April of this year, plaintiff’s president, Richard Johann, was in High Point, North Carolina at Stanton Cooper one of its furniture manufacturer customers, and saw defendant’s design “Patch” on display on the floor in Stanton Cooper’s showroom. Johann testified that the displayed fabric looked strikingly like Mary Randolph, and he thought it was Greeff’s product until advised otherwise. He later saw the design at Gilliam Furniture and Benchcraft Furniture two other customers of plaintiff. Sales of Mary Randolph to these and other furniture manufacturers has dropped off since defendant’s design appeared on the market to the point where only 75 yards were sold in August of this year.

Defendant’s chief designer is Marie Miller. She testified that she was responsible for the design called Patch and that she took her inspiration

¹There are two defendants named. The evidence disclosed, however, that Atelier Originals, Inc., is a non-existing company. Accordingly, the only real defendant is Spectrum Fabrics Corporation.

from two books, the "Romance of Patchwork Quilt in America" and "American Quilts and Coverlets." She has been with Spectrum for 3 years. She testified that defendant had produced in 1979 what it called the Heritage Collection, that this collection has been a success and the decision was made to follow up with a new collection in 1981 which was called the American Traditional Collection.

Heritage contained some 5 patterns designated Patterns Basket, Calico, Crewel, Quilt and Rose and sold at \$3.55 per yard. The records show that from February, 1979 when the patterns appeared on the marketplace to August 31, 1981, that defendant had sold 142,916 yards of Pattern Basket, 66,059 yards of Pattern Calico, 77,613 yards of Pattern Crewel, 46,343 yards of Pattern Quilt and 202,931 yards of Pattern Rose. It had also sold a quantity of these patterns in second quality. Quilt was patchwork design.

In deciding on the makeup of the American Traditional Collection, defendant wanted a patchwork design but something quite different than anything done before by Spectrum. A brick layout was decided upon and a staggered line used because in Ms. Miller's words, to "print straight lines on the horizontal creates many, many problems." (Tr. 70) Miller testified that the colors were muted to give an early American look and that plaintiff's design was not copied. Patch was first offered for sale in February, 1981, and up to August 31, 1981, 47,035 yards had been sold at \$3.65 per yard, outstripping in five months the Heritage patchwork Pattern Quilt's total sales of 2½ years.

Defendant had a copy of Mary Randolph since it is its practice to have its salesmen send samples of what is being sold to New York so that Spectrum staff not in the field can see what is being sold in the marketplace. Defendant does not know when it first obtained a copy of Mary Randolph, but estimates the fall of 1980.

Spectrum's application for copyright registration of Patch is dated March 19, 1981. It lists its originator as Atelier Originals, Inc. There is no reference to Spectrum in the application. The date of first publication was listed as January 15, 1981, the date of completion of the creation was listed as 1981. The space for identification of any pre-existing work on which the instant work is based was left blank. The application was signed by Stanley Friedman, Senior Vice President of Spectrum, who described himself as "sort of second in command." (Tr. 117)

In the selvage on Mary Randolph fabric appears the legend "Mary Randolph" from "A Commemorative Collection" copyright © by Greeff—printed in England for Warner & Sons Limited.

In the selvage of Patch appears the following: "An Exclusive Screen Print © 1981 by Atelier Originals, Inc. Vat Colors Scotchgard®."

The records from the New York State Department of State disclose that Atelier Originals, Inc. was dissolved on June 27, 1979 by proclamation of the Secretary and that the dissolution had not been annulled. The certificate of the Secretary of State to this effect is dated September 11, 1981.

Plaintiff gave notice to defendant known to it as Atelier Originals, Inc. in June, 1981, of its claim of copyright infringement. Defendant replied to plaintiff on stationery indicating it was a part of Consolidated Foods. Friedman testified that Atelier is non-existent, with no assets or net worth. It is a fictitious name used because its jobbers do not want Spectrum's name to appear on the selva because jobbers are concerned that their customers might seek to deal with Spectrum directly. As for the Consolidated Foods letterhead, Friedman testified that as part of the agreement when Spectrum was bought from Consolidated, Spectrum was allowed to use up the old stationery.

Determination

[1, 2] In a copyright case only two basic elements are essential to the establishment of a prima facie case of infringement—ownership of the copyright by plaintiff and copying by defendant. Warner Bros., Inc. v. American Broadcasting Company, Inc., 654 F.2d 204, 207, 211 USPQ 97, 99 (2d Cir. 1981); Reyher v. Children's Television Workshop, 533 F.2d 87, 90, 190 USPQ 387, 389-390 (2d Cir.), cert. denied, 429 U.S. 980, 192 USPQ 64 (1976); R. Dakin & Company v. Charles Offset Co., Inc., 441 F. Supp. 434, 438, 196 USPQ 344, 346-47 (S.D.N.Y. 1977) (Carter, J.). The copyright registration certificate constitutes prima facie evidence of ownership and validity of the copyright, Murray v. Gelderman, 566 F.2d 1307, 1311 n.8, 197 USPQ 142, 145 n.8 (5th Cir. 1978); Miller Brewing Company v. Carling O'Keefe Breweries of Canada Ltd., 452 F. Supp. 429, 438, 199 USPQ 470, 478-79 (W.D.N.Y. 1978), and satisfaction of the statutory formalities is presumed by virtue of the registration certificate. 3 Nimmer on Copyright § 13.01 (1981). Defendant states in its brief that plaintiff's knowing failure to advise the Copyright Office of facts which might have occasioned the rejection of its application invalidates and/or renders unenforceable its copyright registration. Defendant's Post-Hearing Memorandum at 28. Apparently, defendant is referring to questions counsel raised at the hearing as to whether separate copyrights were secured for each color in which Mary Randolph was printed. This was cleared up by testimony that on the registration certificate appears 58920-23 and that each number 0-3 represented a different color. While the presumption of validity is not irrebutable, see Russ Berrie & Company v. Jerry Elsner Co., Inc., 482 F. Supp. 980, 988-89, 205 USPQ 320, 328-29 (S.D.N.Y. 1980) (Haight, J.), defendant's challenge is clearly insufficient to remove the presumption of plaintiff's ownership and validity of the copyright of Mary Randolph fabric design evidenced by its copyright registration certificate dated February 15, 1975.

[3] It is recognized that plaintiff's burden of proving copying by direct evidence may be insurmountable. Blazon, Inc. v. DeLuxe Game Corp.,

268 F. Supp. 416, 422, 156 USPQ 195, 198 (S.D.N.Y., 1965) (Tenney, J.). Accordingly when access and substantial similarity have been established, it may be inferred that copying occurred. *Novelty Textile Mills, Inc. v. Joan Fabrics Corporation*, 558 F.2d 1090, 1092, 195 USPQ 1, 2-3 (2d Cir. 1977), *Ferguson v. National Broadcasting Co.*, 584 F.2d 111, 200 USPQ 65 (5th Cir.1978); *Sid and Marty Kroft Television Productions, Inc. v. McDonald's Corporation*, 562 F.2d 1157, 196 USPQ 97 (9th Cir. 1977); *Scott v. WKJG, Inc.*, 376 F.2d 467, 153 USPQ 493 (7th Cir.), cert. denied, 389 U.S. 832, 155 USPQ 768 (1967).

Access to Mary Randolph is conceded. Defendant testified that it customarily had its sales people collect and send samples to New York of all fabric designs on the marketplace. While the exact date is in doubt, Friedman testified that Spectrum had a sample of Mary Randolph on hand in October, 1980. Miller testified that in September, 1980 it was decided to make a new American Traditional Collection and during the course of the discussion it was decided to have a new patchwork design. A brick wall layout was agreed upon. The application for copyright registration of Patch states that the design was completed in 1981. By defendant's own admission, therefore, it had access to Mary Randolph and the opportunity to copy that design during Patch's gestation.

Defendant makes an elaborate effort to show that the various designs in the patchwork product were derived from two books on American quilts, but the examples showing Roman Square, Rose Basket, Lotus Flower, Mrs. Harris Colonial Quilt, Dahlia Wreath and Strasbourg Quilt as evidencing the source of the designs in Patch are not convincing or persuasive. The designs on defendant's Patch do not show any striking similarity to these examples. There are squares, flowers, and circles in Patch, but these look nothing at all like the examples as to be recognizable derivatives.² On the other hand, some of the motifs in Mary Randolph are repeated in Patch. Looking at the two works, their patterns, the way the colors are used, the lack of straight line—a Greeff signature—renders the overall aesthetic appeal strikingly similar. There are, of course, differences. Patch has stitching around each rectangle and the rectangles are in some instances wider than plaintiff's, but such dissimilarities are not sufficient to negate the conclusion that Spectrum copied Patch from Mary Randolph. I conclude that the ordinary observer, unless he set out to detect the disparities, would be disposed to overlook them, and regard the aesthetic appeal of the two designs as the same. *Peter Pan Fabrics, Inc. v. Martin Weiner Corp.*, 274 F.2d 487, 489, 124 USPQ 154, 155-56 (2d Cir. 1960). The slight changes in the two designers are not enough to save defendant from liability since the similarity between Patch and Mary Ran-

²Defendant's brief contains color photographs which were not introduced at the hearing, and hence cannot properly be considered. It should be added, however, that even taking these photographs into account would not help defendant.

dolph is such as to lead the average lay observer to recognize Patch as having been appropriated from Mary Randolph, the copyrighted work. *Id.*; *Ideal Toy Corporation v. Fab-Lu Ltd.*, 360 F.2d 1021, 1022, 149 USPQ 800, 800-801 (2d Cir. 1966).

Defendant sells its product at \$3.65 per yard, while plaintiff markets Mary Randolph currently at \$6.75 per yard. The impact on plaintiff is necessarily devastating in the marketplace. Defendant offers a design that overall looks like plaintiff's Mary Randolph, designates it an exclusive original and sells it to the trade at almost half the price of Mary Randolph. No wonder plaintiff's sales to furniture manufacturers, where it is in competition with defendant, have fallen off spectacularly. The loss from 3,000 yards per quarter to 75 yards per month is such as to drive plaintiff's fabric design from the furniture manufacturer's marketplace. That poses an irreparable injury which cannot be repaired by relief in the form of damages. The injury involves reputation and status in the marketplace.

[4] The testimony of Miller that she took her inspiration from two literary sources is not credible. Nor is it inconsequential in this regard that defendant had apparently been engaged in infringing plaintiff's copyrighted works before this litigation, being involved in prior litigation in that regard before this court. There is nothing in Spectrum's Heritage or Traditional Collection which is even remotely close in style, color or aesthetics to Patch. Of all of Spectrum patterns Patch is singular. In addition, the use of a fictitious and non-existing corporation as the source of Patch, the discrepancies on the application for registration of Patch and defendant's testimony at the hearing on the preliminary injunction, and the false designation and representation of Patch taken in combination robs defendant's testimony of all credibility in respect of Patch being a creation of Spectrum designers, and I reject it.

[5, 6] Plaintiff also seeks relief under Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), which creates a federal remedy for unfair competition, which embraces false descriptions and representations. Atelier Originals, Inc. is a non-existent organization. While defendant may use a fictitious name in promoting its product as long as there is no deception as to the source, here defendant's use of Atelier Originals, Inc. makes no reference to Spectrum. Indeed, defendant testified that its objective was to conceal Spectrum's identity. According to Friedman, Spectrum's jobbers wanted this done to protect them from having their customers go directly to Spectrum. That is a rather unconvincing explanation and does not explain away the misrepresentation which the use of Atelier Originals, Inc. accomplishes.

[7] Moreover, the misrepresentation is compounded by defendant's false description of Patch as "an exclusive original" silk screen. Defendant cannot have it both ways. It spent much time at the hearing and in its brief showing that Patch's patchwork design was not original or exclusive, but

taken from existing literary sources. Although I reject the argument concerning the source of the Patch design, since the inspiration was derived from Mary Randolph, the description of Patch as either exclusive or original is false. The Lanham Act bars actual as well as potential deception, *SK & F, Co. v. Premo Pharmaceutical Laboratories, Inc.*, 625 F.2d 1055, 1065, 206 USPQ 964, 973-74 (3d Cir. 1980), and injunctive relief is warranted where the false representations have a tendency to deceive the consumer. *Boston Professional Hockey Association Inc. v. Dallas Cap & Emblem Mfg., Inc.*, 510 F.2d 1004, 1013, 185 USPQ 364, 370 (5th Cir.), cert. denied, 423 U.S. 868, 187 USPQ 480, reh. denied, 423 U.S. 991 (1975). Actual deception need not be established, as long as the misleading description or designation has a tendency to deceive or is likely to cause confusion. *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 467 F. Supp. 366, 374, 201 USPQ 740, 747 (S.D.N.Y.) (Griesa, J.), *aff'd*, 604 F.2d 200, 203 USPQ 161 (2d Cir. 1979).

The designations of "original" and "exclusive" have a clear tendency to deceive. Defendant's Patch is sold to small jobbers and department stores in swatches, and they in turn sell to consumers. Both the jobbers and department store buyers see defendant's false legend on the salvage. Consumers, in buying specified swatches, also see and may be deceived by the false legend.

The use by defendants of the Patch design constitutes an infringement of plaintiff's Mary Randolph copyright and defendant is preliminarily enjoined from infringing plaintiff's copyright; under Section 43(a) of the Lanham Act, defendant's use of the words "exclusive original screen print" and use of Atelier Originals, Inc. is unlawful and defendant is enjoined from such uses in connection with Patch or any other of its patterns or designs which are not original or exclusive to defendant; and defendant is enjoined from using on its patterns or designs Atelier Originals, Inc. or any other fictitious name unless in connection therewith defendant is identified as the source.

Plaintiff in its order to show cause requested that the hearing on preliminary injunction be merged with a trial on the merits. However, that request was not repeated at the hearing, and no reference was made to it by the court. While the probability is great that defendant produced at the hearing all the evidence it has to oppose plaintiff's claim, the court is not certain that defendant was put sufficiently on notice that the hearing on the preliminary injunction was to be merged with a trial on the merits. Accordingly, only preliminary relief will be granted at this time.

The matter is referred to a magistrate for assessment of plaintiff's damages under the copyright law and the Lanham Act, for costs and attorney's fees under § 505 of the Copyright Act and under the Lanham Act. Settle Order.

GREENKY v. IRVING MUSIC INC., et al.

No. 80 Civ. 2776

(United States District Court, S. D. New York—Decided July 13, 1981)

217 USPQ 750

Action by Seth R. Greenky, doing business as Green Key Music, against Irving Music, Inc., Broadcast Music, Inc., Will Jennings, Richard Kerr, Arista Records, Inc., Almo Publications, Columbia Pictures Publications, and The Harry Fox Agency, for copyright infringement. On defendants' motions to transfer and dismiss. Motion to transfer granted.

COPYRIGHTS**1. Jurisdiction of courts—Venue—In general**

Special venue statute for copyright actions, 28 USC 1400 (a), authorizes copyright actions to be brought in district in which defendant or his agent resides or may be found; defendant "may be found" wherever he is amenable to personal jurisdiction; standards are same as for any other federal action; however, as practical matter, test for determining proper venue in Southern District of New York is identical to New York's "transaction of business" test under NY Civ Prac Law & R § 302(a)(1).

2. Jurisdiction of courts—Venue—In general

Licensing agreement between nondomiciliary composer and defendant music licensing organization is sufficient to establish personal jurisdiction against nondomiciliary defendant composer under New York long-arm statute; making venue in New York federal district court appropriate.

3. Jurisdiction of courts—Venue—In general

It does not follow that venue that is proper as to one composer must also be proper as to joint composer who has different property rights; copyright venue statute controls over general venue statute.

Peter Brown, and Brown & Raysman, both of New York, N.Y., for plaintiff.

Robert G. Sugarman, Lauren W. Field, Surie Rudoff, and Weil, Gotshal & Manges, all of New York, N.Y., for defendants.

GOETTEL, District Judge. This action involves the hit record "I'll Never Love This Way Again." The plaintiff, a self-described struggling songwriter, alleges that "I'll Never Love This Way Again" infringes his copyright on his song entitled "All There is To Know." Defendants Irving Music, Inc. ("Irving"), Almo Publications ("Almo"), Will Jennings, and Richard Kerr move to transfer the action to the United States District Court for the Central District of California pursuant to 28 U.S.C. § 1404(a).¹ In addition, defendants Jennings and Kerr, the composers of

¹Defendants Broadcast Music, Inc., Arista Records, Inc., and Columbia Pictures Publications support the motion to transfer and have filed affidavits indicating their willingness to make witnesses or documents available in California.

“I’ll Never Love This Way Again,” move to dismiss on the ground that venue is improper.

The Court has determined that the action should be transferred to California. Transfer under 28 U.S.C. § 1404(a) may be appropriate only if venue is proper in the original forum. See 15 C. Wright, A. Miller & E. Cooper, Federal Practice and Procedure § 3844 (1976). If venue is improper, the action should be transferred under 28 U.S.C. § 1406(a). See *Van Dusen v. Barrack*, 376 U.S. 612, 634 (1964). Consequently, the Court must consider the propriety of venue question before considering the motion to transfer “in the interest of justice” under 28 U.S.C. § 1404(a).

The plaintiff asserts that venue in this district is proper as to defendant Jennings under 28 U.S.C. § 1400(a). Venue with respect to defendant Kerr, an alien, is based on 28 U.S.C. § 1391(d).

[1] The special venue statute for copyright actions, 28 U.S.C. § 1400(a), authorizes copyright actions to be brought “in the district in which the defendant or his agent resides or may be found.” “A defendant ‘may be found’ wherever he is amenable to personal jurisdiction.” *Donner v. Tams-Witmark Music Library, Inc.*, 480 F.Supp. 1229, 1234, 208 USPQ 367, 370-71 (E.D. Pa. 1979); see *Battle Creek Equipment Co. v. Roberts Manufacturing Co.*, 460 F. Supp. 18, 21-22, 202 USPQ 666, 667-69 (W. D. Mich. 1978). The standards are the same as for any other federal action. 3 M. Nimmer, *Nimmer on Copyright* § 12.01[D] (1980). Thus, while venue is determined according to federal law, as a practical matter the test is identical to the “transaction of business” test of N.Y. Civ. Prac. Law & R. § 302(a)(1) (McKenney 1972 & Supp. 1980). *Sterling Television Presentations, Inc. v. Shintron Co.*, 454 F.Supp. 183, 190-91, 201 USPQ 479, 484-85 (S.D.N.Y. 1978). See also *Testa v. Janssen*, 482 F.Supp. 1195, 1197, 209 USPQ 534-35 (W.D. Pa. 1980); *Mode Art Jewelers Co. v. Expansion Jewelry Ltd.*, 409 F.Supp. 921, 923, 193 USPQ 48, 49-50 (S.D.N.Y. 1976).

Section 302(a)(1) of New York’s long-arm statute establishes personal jurisdiction over nondomiciliaries for causes of action arising from the transaction of business within the state. Until recently, New York followed the “mere shipment” rule, which provided that the mere shipment of goods, without more, would not confer personal jurisdiction over a nondomiciliary defendant. See, e.g., *McGowan v. Smith*, 72 A.D.2d 75, 423, N.Y.S.2d 90 (4th Dep’t 1979). A 1979 amendment to the statute extended personal jurisdiction over nondomiciliaries to include those who contract “anywhere to supply goods or services” in New York and thus abrogated the “mere shipment” rule. See generally Report of the Law Revision Commission for 1979, Leg. Doc. No. 65; McLaughlin, 1979 Supplementary Practice Commentary C302:13 (McKinney Supp. 1980).

[2] Pursuant to an agreement with defendant Broadcast Music, Inc. (“BMI”), Jennings assigned his public performance rights in “I’ll Never Love This Way Again” to BMI, which, in turn, licensed the song to radio

stations, television networks, and other users of music.² In this regard, this case is very similar to *Testa v. Janssen*, *supra*. *Testa* also involved an alleged infringement of a copyright on an original musical composition. A nondomiciliary defendant moved to dismiss for lack of personal jurisdiction and improper venue, on the ground that it was not subject to Pennsylvania's long-arm statute. Coincidentally, the defendant in *Testa* also had assigned public performance rights to BMI. Pennsylvania's long-arm statute, which is very similar to New York's, extends to nondomiciliaries who ship "merchandise" into the state. 42 Pa. Cons. Stat. Ann. § 53222(a)(1)(iii). The court held that the nondomiciliary was subject to personal jurisdiction (and thus was "found" in Pennsylvania) because the licensing agreement amounted to a shipping of merchandise into the state. 482 F.Supp. at 1198, 209 USPQ at 535-36. We agree with that court's reasoning and conclude that the licensing agreement between Jennings and BMI would be sufficient to establish personal jurisdiction against Jennings under New York's long-arm statute. Accordingly, venue in this district is appropriate as well.

[3] The plaintiff's claim of proper venue as to defendant Kerr, an alien, is based on the rule that any alien may be sued in any district in which he can be served with process.³ 28 U.S.C. § 1391(d). See generally 15 C. Wright, A. Miller & E. Cooper, *Federal Practice and Procedure* § 3810 (1976 & Supp. 1980). This question, of course, turns on whether Kerr is subject to New York's long-arm jurisdiction and therefore, susceptible to service out of state. It does not follow, however, that if venue is proper with respect to Jennings, it must also be proper as to Kerr. Although the two of them jointly composed "I'll Never Love This Way Again," they no longer have similar property rights in the song.

For reasons not apparent from the record, Kerr licensed his rights to an organization known as the Performing Rights Society (apparently a music licensing organization). There is no indication as to how the composers divided their interest in the song, or as to how the two licensing agencies will separately enforce apparently indivisible rights.⁴ Consequently, it cannot be determined from the present state of the record whether New York's long-arm statute also reaches Kerr. However, in light of the disposition of the remainder of defendants' motion, this question becomes moot.

²Greenky alleges that Jennings earned tens of thousands of dollars from this agreement.

³While special venue statutes such as the copyright venue statute control over the general venue statutes, *Fourco Glass Co. v. Transmirra Products Corp.*, 353 U.S. 222, 113 USPQ 234 (1957), suits against aliens are considered to be wholly outside federal venue laws. *Brunette Machine Works, Ltd. v. Kockum Industries, Inc.* 406 U.S. 706, 174 USPQ 1 (1972). Kerr claims that this statute is unconstitutional on the ground that it denies him equal protection of the laws. While the Court has serious doubts about the merits of this argument, see generally 2 N. Dorsen, P. Bender, B. Neuborne & S. Law, *Emerson, Haber, and Dorsen's Political and Civil Rights in the United States* 100-03 (4th ed. 1979), we need not reach this constitutional question in light of our subsequent determinations.

⁴One possible explanation is that Jennings and Kerr have split up foreign and domestic rights and appointed licensing agents accordingly.

In the Matter of **GROUP TEN PRESS, INC.**, a Nebraska corporation,
Debtor

John P. **EMARINE**, Plaintiff, v. **GROUP TEN PRESS, INC.**, a
Nebraska corporation, and John E. O'Donnell, an individual, Defendants

Bankruptcy No. BK79-1361

(United States Bankruptcy Court, D. Nebraska—April 17, 1981)

10 B.R. 469. 217 USPQ 90

In a copyright infringement suit transferred from District Court after defendant filed a Chapter 11 proceeding, the Bankruptcy Court, David L. Crawford, J., held that a work which was generally published without notice of copyright affixed to it entered the public domain.

Judgment for debtor.

1. Copyrights and Intellectual Property

Copyright Act effective January 1, 1978, controlled copyright infringement suit where first publication which could give rise to cause of action occurred after that date. 17 U.S.C.A. § 301(b)(2).

2. Copyrights and Intellectual Property

Work which was generally published without notice of copyright affixed to it entered public domain.

3. Copyrights and Intellectual Property

General publication without consent of owner of work will not work forfeiture of owner's copyright.

4. Estoppel

Doctrine of estoppel may be applicable in copyright cases.

Charles I. Scudder, Omaha, Neb., for plaintiff.

William D. West and Robert W. Green, Omaha, Neb., for defendants.

MEMORANDUM OPINION

DAVID L. CRAWFORD, *Bankruptcy Judge*. This is a controversy over a copyright in a drawing of a skunk. The case was originally filed in District Court, and was subsequently removed to this Court after the defendant, Group Ten Press, filed a Chapter 11 proceeding.

Group Ten Press is a company engaged in the manufacture of greeting cards. In late 1977, it decided that the company logo—a drawing of a skunk—needed refinement. The company president discussed the problem with a teacher at a local commercial art school and said that all Group Ten could afford to pay for a new logo was a \$25.00 savings bond or the cash

equivalent. The teacher told his students to draw a skunk, and plaintiff's drawing was the winning entry. In January, 1978, plaintiff accepted the cash, and understood at the time that the drawing would be used for letterhead, interoffice memos, order forms, and similar uses. Later that year, another student told plaintiff she had seen his drawing on greeting cards at a store. He went to the store, examined the cards, and ascertained that this was the case. Plaintiff asked the company president about the use of the skunk on greeting cards, but, according to plaintiff's own testimony, the subject of ownership of the drawing never came up. In late spring or early summer of 1978, plaintiff went to work for Group Ten Press. During his employment, plaintiff assisted in refining the skunk drawing, developing a baby skunk based on the first skunk drawing, packaging greeting cards on which the skunk drawing was printed for shipment, and drawing a comic strip featuring the skunk.

Plaintiff states he felt during this entire period that the skunk was his property. However, plaintiff never communicated this belief to anyone at Group Ten Press until relatively late in his employment there, when he put his personal copyright on a comic strip featuring the skunk. When told to remove his name and substitute "Group Ten Press" as the copyright holder, plaintiff did so. Plaintiff left Group Ten Press in November, 1978, registered the skunk as copyrighted by John P. Emarine, and generally began to express his claims to the drawing in unmistakable terms.

The company president testified that he believed Group Ten Press had purchased all rights to the skunk by payment of the cash equivalent of a \$25.00 savings bond although there was never a written assignment of those rights by plaintiff. Had he believed otherwise, Group Ten would not have used the drawing. He testified that plaintiff had never said or done anything to challenge this belief until late in 1978, and this testimony is corroborated by plaintiff's own testimony. In addition, the president testified that the use of the drawing on letterhead, invoices, and order forms which plaintiff admits he did authorize, involved the distribution of thousands of copies of the drawing to customers, sales representatives and the like and that none of these copies had a notice of copyright affixed to them.

[1] An initial question is which law is applicable. Congress enacted a new Copyright Act effective January 1, 1978, which preempts all other state and federal copyright law. While I do not believe the resolution of this question alters the disposition of this case, I conclude that the new Act is controlling since the first publication which could give rise to a cause of action occurred after January 1, 1978. 17 U.S.C. § 301(b)(2); *Strout Realty, Inc. v. Country 22 Real Estate Corp.*, 493 F.Supp. 997 (W.D. Mo.1980); *Bromhall v. Rorvik*, 478 F.Supp. 361 (E.D.Pa.1979).

Under the prior law, it was well-established that a general publication of copyrightable materials without registration or notice of copyright affixed

to the material would lead to abandonment or forfeiture of the copyright and dedication of the work to the public domain. *White v. Kimmel*, 193 F.2d 744 (9th Cir. 1952). Publication for a limited purpose would not lead to abandonment, provided the owner of the copyright attempted to retain some control over who received copies of the work, and the uses to which the copies were put. *Continental Casualty Co. v. Beardsley*, 253 F.2d 702 (2d cir. 1958), *cert denied*, 358 U.S. 816, 58 S.Ct. 25, 3 L.Ed.2d 58 (1958). These principles have been thoroughly discussed by other courts and will not be analyzed in detail here. See, e. g., *Burke v. National Broadcasting Co., Inc.* 598 F.2d 688 (1st Cir. 1979).

[2] As was the case under prior law, the new Act does not mention forfeiture or abandonment of a copyright. However, both are presumably still possible. Otherwise, the registration provisions and the provisions requiring the affixing of a notice of copyright to each copy of a work and providing for correction in cases of omission of the notice would be meaningless. See 17 U.S.C. §§ 401, 402, 410 through 412. Certainly, authorized publication which violates the requirements of the Act would remove the work from the Act's protection; and, as the Act preempts the field, the work is effectively in the public domain for want of a remedy for wrongful publication. Thus, I conclude that a work which is generally published without notice of copyright affixed to it enters the public domain. Prior case law on the subject remains applicable except where it is inconsistent with the new Act.

[3] General publication without consent of the owner of the work will not lead to forfeiture of the owner's copyright. *Ferris v. Frohman*, 223 U.S. 424, 437, 32 S.Ct. 263, 267, 56 L.Ed. 492 (1912). Plaintiff relies on this principle to assert that unauthorized publications of greeting cards bearing his drawing infringed on his copyright. However, I find that the uses which the plaintiff did authorize led to a general publication of the drawing by defendant without notice of copyright and a forfeiture of the copyright. Thus, the skunk is now in the public domain and may be copied by anyone, including plaintiff, except insofar as its use infringes on the defendant's trademark registration.

[4] Given this conclusion, it is not necessary to consider defendant's argument that plaintiff is estopped from asserting ownership of the copyright. It is clear that the doctrine of estoppel may be applicable in copyright cases. *Florabelle Flowers, Inc. v. Joseph Markovits*, 296 F.Supp. 304, 307 (S.D.N.Y.1968); see also *Hampton v. Paramount Pictures Corp.*, 279 F.2d 100, 104 (9th Cir. 1960). Were I to rule on this issue, I would find that plaintiff's conduct justifies an application of that doctrine in that plaintiff made no comment concerning and even assisted in the increasing expansion of the use of the drawing for almost a year before he informed defendants of his claims of ownership.

A separate judgment is entered in accordance with the foregoing.

HARLEQUIN ENTERPRISES LIMITED, Plaintiff-Appellee, v. GULF & WESTERN CORPORATION, Defendant-Appellant

No. 532, Docket 80-7770

(United States Court of Appeals, Second Circuit—Argued February 2, 1981—Decided March 25, 1981)

644 F.2d 946. 210 USPQ 1

[See also 503 F.Supp. 647, 209 USPQ 1104, 44 C.O.Bull. 455 (S.D.N.Y., Sept. 5, 1980—*As amended*, Sept. 15, 1980)]

The United States District Court for the Southern District of New York, Richard Owen, J., granted preliminary injunction enjoining alleged infringement of romance novel cover format, and appeal was taken. The Court of Appeals, Lumbard, Circuit Judge, held that district court's conclusion that "Silhouette Romance" cover was substantially similar to "Harlequin Presents" cover was supported by evidence and that delay did not bar injunctive relief.

Affirmed.

1. Trade Regulation

District court did not abuse its discretion in preliminarily enjoining publisher from further use of cover which was substantially similar to "Harlequin Presents" cover. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

2. Trade Regulation

District court's conclusion that "Silhouette Romance" cover was substantially similar to "Harlequin Presents" cover was supported by evidence. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

3. Trade Regulation

While there were some differences, combination of features of "Silhouette Romance" cover design and "Harlequin Presents" cover design were such that ordinary buyer of romance fiction would not recognize disparities without setting out to find them, and buyer who did notice difference between names and colophons would be reasonably justified in believing both products came from same publisher. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

4. Trade Regulation

Evidence as to inquiries directed to publisher of "Harlequin Presents" romances about "Silhouette Romance" series and extraordinary number of "Silhouette Romance" book returns sent to Harlequin by retailers sustained finding that there was actual confusion between the two covers among romance readers and members of the trade. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

5. Trade Regulation

Evidence of conscious imitation is pertinent on issue of confusion since law presumes that intended similarity is likely to cause confusion. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

6. Trade Regulation

Evidence sustained finding that "Harlequin Presents" cover had secondary meaning for romance readers. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

7. Trade Regulation

As applied to particular series of romance novels, term "secondary meaning" meant that romance readers associated series' cover with particular series and publisher. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

See publication Words and Phrases for other judicial constructions and definitions.

8. Trade Regulation

Extensive national advertising, phenomenal sales success, and results of consumer survey indicated that romance readers correlated the "Harlequin Presents" cover with publisher and series. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

9. Trade Regulation

Fact that enthusiasm and loyalty of particular romance series' readers had been subject of extensive, unsolicited media coverage supported finding of secondary meaning for cover. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

10. Trade Regulation

Attempt by publisher to capitalize on "Harlequin Presents" cover when it introduced its own romance series was significant evidence that "Harlequin Presents" had secondary meaning. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

11. Trade Regulation

Secondary meaning usually is a prerequisite to trademark protection. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

12. Trade Regulation

New York law shields trade dress from deliberate copying even if it has not acquired a secondary meaning.

13. Trade Regulation

Even if romance readers did not associate the "Harlequin Presents" cover with specific series and publisher, Harlequin would be entitled to an injunction against deliberate imitation of its cover.

14. Trade Regulation

Where there was no evidence of laches, publisher's delay in seeking preliminary injunction against another publisher's deliberate imitation of its cover did not bar relief.

15. Trade Regulation

Laches is not a defense against injunctive relief when defendant intended infringement. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

Ronald S. Rauchberg, New York City (Proskauer, Rose, Goetz & Mendelsohn, William J. Schwartz, New York City, of counsel), for defendant-appellant.

Thomas G. Morrison, New York City (Patterson, Belknap, Webb & Tyler) Christine H. Miller, New York City, of counsel), for plaintiff-appellee.

Before LUMBARD, MANSFIELD and MESKILL, Circuit Judges.

LUMBARD, *Circuit Judge*. Defendant appeals from a preliminary injunction order entered by Judge Owen of the Southern District of New York. The order directs Simon & Schuster, a division of the defendant, to cease using the cover format it had adopted for a new series of romance novels titled "Silhouette Romance." Judge Owen granted this relief on the ground that the "Silhouette Romance" cover design infringes upon that of the "Harlequin Presents" romance novel series sold by plaintiff Harlequin Enterprises Limited ("Harlequin") in violation of § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a). He also decided that Harlequin's delay in seeking an injunction did not bar relief. We agree and, accordingly, affirm the order of the district court.

I.

Harlequin, a Canadian corporation, is the world's largest publisher of paperback romances. Each month several new Harlequin titles are sold in drug stores, supermarkets and bookstores around the world to millions of regular and devoted readers.

Each Harlequin title is part of a different series. The instant dispute concerns only the Harlequin Presents series. From a design standpoint, every book in the Harlequin Presents series is uniform in its dimensions, cover design and colophon. The editorial content is also consistent, featuring a contemporary story of love and romance set in an exotic locale. Regular readers know that there will be no explicit sex or violence and that every book has a happy ending.

For many years, Simon & Schuster was the exclusive United States distributor of the Harlequin Presents series and other books published by Harlequin. In early 1979, however, Harlequin notified Simon & Schuster that it planned to let the distributorship agreement expire by its terms and, beginning January 1, 1980, to conduct its own distribution in the United States.

Shortly thereafter, Simon & Schuster decided to launch its own line of romance fiction under the rubric "Silhouette Romance." In March, 1980, approximately one month before the Silhouette Romance series appeared on the market, Harlequin filed a trade dress infringement suit alleging that the Silhouette Romance cover design is virtually identical to that of the Harlequin Presents series. On July 3, 1980, Harlequin moved for preliminary relief against the use of the Silhouette Romance cover.

Finding that romance readers were likely to be confused between the two covers and that the Harlequin Presents cover has secondary meaning, the district court granted Harlequin relief. Simon & Schuster was enjoined from publishing any further books with the infringing cover, but was not required to recall or cease selling books already published. The district court also held that laches on Harlequin's part, even if proved, did not bar

preliminary relief since it appeared that Simon & Schuster deliberately copied the Harlequin Presents cover.

II.

[1] On the undisputed facts in the record before us, we hold that the district court did not abuse its discretion in enjoining Simon & Schuster from further use of the Silhouette Romance cover.

[2] The district court's conclusion that the Silhouette Romance cover is "substantially similar" to the Harlequin Presents cover is clearly supported by the evidence. Both books are bound with glossy white covers and are of identical dimensions in height, width and thickness. The series' number is set in black type in the upper left hand corner and the price is printed on the upper right hand corner of each book. Both books retail for \$1.50. A collage of gold filigree, the publisher's colophon and the series' title appears in the top center of each cover. Harlequin's colophon, a black and white harlequin, is framed by a gold diamond; Simon & Schuster's colophon, black silhouettes of a man and woman, is cast in a gold oval. The series' titles are printed in similar black script with one word of the series' title appearing on each side of the colophon. Beneath the collage on each book, the author's name is printed in bold, colored capital letters. The book's title is printed below the author's name on both books in black lettering. The bottom half of each cover is devoted to an illustration of a man and a woman in a romantic setting suggesting the book's story line.

[3] While there are also some differences, such as the series' names and the publishers' colophons, it is the "combination of features as a whole rather than a difference in some of the details which must determine whether the competing product is likely to cause confusion in the mind of the public." *Perfect Fit Industries, Inc. v. Acme Quilting Co.*, 618 F.2d 950, 955 (2d Cir. 1980). We, like the district court, are convinced that an ordinary buyer of romance fiction would not recognize the disparities without setting out to find them. A buyer who did notice the differences between the names and the colophons would be reasonably justified in believing both products come from the same publisher.

[4, 5] In addition to the startling similarities between the covers, the district judge determined that there was actual confusion between the two covers among romance readers and members of the trade. These findings are substantiated by the inquiries directed to Harlequin about the Silhouette Romance series and the extraordinary number of Silhouette Romance book returns sent to Harlequin by retailers. Finally, the district court received and credited substantial evidence that Simon & Schuster deliberately imitated the Harlequin Presents cover. Evidence of conscious imitation is pertinent because the law presumes that an intended similarity is likely to cause confusion. *Perfect Fit Industries, Inc. v. Acme Quilting*

Co., 618 F.2d at 954; *RJR Foods, Inc. v. White Rock Corp.*, 603 F.2d 1058, 1060 (2d Cir. 1979); *Harold Ritchie, Inc. v. Chesebrough-Pond's, Inc.*, 281 F.2d 755, 758-60 (2d Cir. 1960).

[6-10] Harlequin has also adduced sufficient evidence to support the district court's preliminary finding that the Harlequin Presents cover has a "secondary meaning" for romance readers. By secondary meaning, we mean that romance readers associate the Harlequin Presents cover with a particular series and publisher. See *RJR Foods, Inc. v. White Rock Corp.*, 603 F.2d at 1059. Harlequin's extensive national advertising, its phenomenal sales success¹ and the results of a consumer survey² indicate that romance readers correlate the Harlequin Presents cover with Harlequin and the Harlequin Presents series. See *id.* at 1060. The fact that the enthusiasm and loyalty of Harlequin's readers have been the subject of extensive, unsolicited media coverage further supports the district court's finding of secondary meaning. *Scarves By Vera, Inc. v. Todo Imports, Ltd.*, 544 F.2d 1167, 1174 (2d Cir. 1976). Perhaps the most significant evidence of secondary meaning in this case, however, was the attempt by Simon & Schuster to capitalize on the Harlequin Presents cover when it introduced its own romance series. *RJR Foods, Inc. v. White Rock Corp.*, 603 F.2d at 1060.

[11-13] Although secondary meaning usually is a prerequisite to trademark protection, New York law shields trade dress from deliberate copying even if it has not acquired a secondary meaning. *Perfect Fit Industries, Inc. v. Acme Quilting Co.*, 618 F.2d 950 (2d Cir. 1980). Thus, even if romance readers did not associate the Harlequin Presents cover with a specific series and publisher, Harlequin would be entitled to an injunction against Simon & Schuster's deliberate imitation of its cover.

[14] We also agree that Harlequin's delay in seeking a preliminary injunction does not bar relief, because there is no evidence of laches. Simon & Schuster certainly cannot claim that Harlequin acquiesced in the use of the infringing covers since Harlequin had instituted an infringement action against Simon & Schuster well before the Silhouette Romance series was placed on the market. Although Harlequin did not apply for injunctive relief until three months after the series appeared, much of the delay was caused by conferences of counsel and defendant's insistence that Harlequin should retain different counsel, which it did.

¹In 1979, more than 20 million Harlequin Presents books were sold in the United States alone.

²Spencer Bruno Research Associates interviewed 500 romance readers in three cities. The readers were shown copies of unpublished Harlequin Presents titles with the Harlequin name and colophon deleted and asked to name the publisher. Fifty percent of the readers correctly identified Harlequin as the publisher. While these results are not conclusive evidence of secondary meaning, particularly in light of Harlequin's market dominance, the district court properly found the results probative of secondary meaning. *RJR Foods, Inc. v. White Rock Corp.*, 603 F.2d 1058, 1060 (2d Cir. 1979).

[15] Furthermore, laches is not a defense against injunctive relief when the defendant intended the infringement. 4 R. Callman, *Unfair Competition, Trademarks and Monopolies* ¶ 87.3(b)(2) (3 ed. 1970). In any event, the relief granted by Judge Owen took into consideration Harlequin's delay in seeking preliminary relief. By the district court order of September 5, 1980, Simon & Schuster was permitted to continue selling books already published with the infringing cover.

The findings of the district court and terms of its preliminary injunction are amply supported by the record.

AFFIRMED.

HOME BOX OFFICE, INC., Plaintiff, v. ADVANCED CONSUMER TECHNOLOGY, MOVIE ANTENNA, INC., Richard S. Kalin, Defendants

No. 81. Civ. 559

(United States District Court, S. D. New York—November 4, 1981)

549 F.Supp. 14

Subscription television company brought action against manufacturers and sellers of equipment that permitted purchasers to intercept company's program and thus avoid need to pay company's subscription fee. The District Court, Sofaer, J., held that the Federal Communications Commission's judgment that unauthorized interception of multipoint distribution service transmissions violates section of Communications Act providing that no unauthorized person shall receive or assist in receiving any interstate or foreign communication for his own benefit or for benefit of another not entitled thereto was reasonable and would be upheld.

Order entered.

1. Telecommunications

Fact that subscription television company's programs could be received by equipment that was readily available to general public did not deprive company's communications of protection under section of Communications Act providing that no unauthorized person shall receive or assist in receiving any interstate or foreign communications for his own benefit or for benefit of another not entitled thereto. Communications Act of 1934, § 605, 47 U.S.C.A. § 605.

2. Injunction

Subscription television company's failure to restrict reception of its transmissions by scrambling its signal did not preclude company from obtaining injunction against manufacture and sale of equipment that permitted persons to intercept company's programs and void need to pay subscription fee. Communications Act of 1934, § 605, 47 U.S.C.A. § 605.

3. Telecommunications

The Federal Communications Commission's judgment that unauthorized interception of multipoint distribution service transmissions violated section of Communications Act providing that no unauthorized persons shall receive or assist in receiving any interstate or foreign communication for his own benefit or for benefit of another not entitled thereto was reasonable and would be upheld. Communications Act of 1934, § 605, 47 U.S.C.A. § 605.

Warshavsky, Hoffman & Cohen, New York City, for plaintiff; David W. Cohen, New York City, of counsel.

Nitkin, Alkalay, Handler & Robbins, New York City, for defendants; Jon Paul Robbins, New York City, of counsel.

SOFAER, *District Judge*. The scheme sought to be enjoined in this litigation is a straightforward attempt by defendants to exploit a television service offered by plaintiff Home Box Office, Inc. ("HBO") to paying subscribers. Before being temporarily restrained on January 29, 1981, defendants manufactured and sold equipment that permitted purchasers to intercept HBO programs and thus avoid the need to pay HBO's subscription fee. Defendant Advanced Consumer Technology ("ACT") manufactured the equipment, which was distributed by defendants Movie Antenna, Inc. ("MAI") and MAI's president, Richard Kalin, among others. Plaintiff now seeks permanently to enjoin defendants from manufacturing, selling, or advertising this equipment. For the reasons set forth in this opinion, and on the basis of the following findings, an injunction is granted.

I. *Factual Background*

HBO transmits a variety of motion pictures, sports events, and other entertainment programs, generally unavailable on commercial television. It owns and has registered the copyrights to many of the programs it provides. HBO does not transmit the programs directly to its ultimate customers; rather, the programs are sent to affiliates who sell HBO service on a retail basis, and who pay to HBO a large portion of the revenues they collect. HBO programs do not contain commercial advertisements; its sole source of revenue from its television business are the payments its receives from affiliates.

In the New York City area, HBO transmits its programs to affiliates in two ways: by underground cable and through the air via microwave signal. Only the latter method of transmission is at issue in this litigation. To provide microwave service, HBO leases time on transmitters owned by the Microband Corporation of America ("Microband"), a common carrier licensed by the Federal Communications Commission ("FCC") to provide a service called Multipoint Distribution Service ("MDS"). Microband's MDS operates on a portion of the radio band, 2150-2162 megahertz ("MHz"), that has been allocated by the FCC specifically for "point-to-

point” microwave transmission. Microband provides access to its MDS system on a first-come, first-served basis, pursuant to a tariff that it files with the FCC. Only one entity may lease an MDS channel at any given time and, in New York City, HBO is Microband’s only subscriber.

The microwave signal transmitted by HBO cannot be received on conventional television sets without supplemental equipment. To receive HBO programming, one must have a special antenna, designed to pick up the relatively high-frequency MDS signal, and a down-converter that transforms the signal to a frequency that conventional television sets are able to receive.¹ The antenna and down-converter are supplied by HBO’s affiliates to customers who pay a monthly subscription charge. The affiliate installs an antenna and down-converter on the roof of each house or apartment building within range of the MDS signal, and in which HBO service is desired. The signal is received by the antenna, down-converted and then transferred to individual television sets through wire cables. Many HBO affiliates also provide their customers with other non-commercial television services, most of which are transmitted via cable rather than by radio signal.

Defendant ACT manufactures an antenna and down-converter that enables purchasers to receive MDS on conventional television sets. ACT had been selling this equipment to outlets and customers throughout the nation, until it was forced to stop doing so in California by statute, and in all other states by this Court’s temporary injunction. Defendant MAI was incorporated by defendant Richard Kalin to sell these products to the general public in the New York City area. The equipment is technologically simple, and can be installed by the purchaser. In some cases, a customer must purchase an extra power source to transmit the signal from the antenna and down-converter to his television set. In the New York City area, the ACT equipment can only be used to receive HBO programming. If another entity leased MDS time from Microband, however, its signal could be received by anyone who owned the ACT product.

HBO or any other MDS user, can provide some protection from unauthorized reception by arranging with Microband to scramble its MDS signal. A scrambled signal is received, by those who possess the appropriate microwave equipment, in unintelligible form. To see the proper image, the receiving party must have a descrambler. HBO thus far has chosen not to scramble its signal.

ACT also sells a device known as an Earth Station, which is a large antenna capable of receiving signals transmitted by satellites, amplifying them, and converting the signals to a frequency that can be tuned by con-

¹Conventional sets are designed to receive Very High Frequency (“VHF”) signals in the frequency ranges 54–72, 76–88, and 174–216 MHz. All sets manufactured in recent years must also be capable of receiving Ultra High Frequency (“UHF”) signals in the range 470–806 MHz. PX 5.

ventional television sets. Earth Stations are apparently capable of receiving all or most of the signals that are now transmitted by satellite, including a large number of television broadcasts and private telephone communications. Transcript ("Tr.") 84-85 (Testimony of Mark Elden). Many of these communications are protected by scrambling, but descramblers may also be use in conjunction with Earth Stations.²

HBO alleges that defendants' activities violate section 605 of the Communications Act of 1934, federal copyright and trademark laws, and various state laws. Defendants' activities do in fact violate section 605, so no need exists to reach and decide plaintiff's other claims.³

II. Section 605 of the Communications Act of 1934

Section 605 of the Communications Act of 1934 provides in pertinent part that no unauthorized person "shall receive or assist in receiving any interstate or foreign communications . . . for his own benefit or for the benefit of another not entitled thereto." 47 U.S.C. § 605. Defendants have undoubtedly assisted others in receiving interstate communications, for the purpose of profiting on sales of equipment that enables nonsubscribers to obtain HBO services for which they have not paid. The statute further provides, however, that its prohibitions "shall not apply to the receiving, divulging, publishing, or utilizing the contents of any radio communication which is broadcast or transmitted by amateurs or others for the use of

²Satellites also play an important role in the process by which HBO programs are transmitted to Microband for transmission to the public via HBO's affiliates. HBO transmits its programs from a central programming location to satellite which in turn transmits the program to a receiving location at or near the location from which the programs are transmitted to the public. In New York City, the receiving station is located on 23rd Street and the signal is transmitted from that point to Microband's antenna atop the Empire State Building through the use of underground telephone cables. An individual who possesses an adequate earth station in New York City would therefore be able to receive HBO programs by intercepting the signal before it is sent to HBO affiliates via MDS.

³Defendants have challenged plaintiff's right to enforce section 605 in a private action. Recent decisions of the Supreme Court indicate increased reluctance to imply private causes of action in a variety of contexts. *See, e.g., Transamerica Mortgage Advisors, Inc. v. Lewis*, 444 U.S. 11, 100 S.Ct. 242, 62 L.Ed.2d 146 (1979) (no implied right of action under § 206 of the Investment Advisers Act of 1940); *Touche Ross & Co. v. Redington*, 442 U.S. 560, 99 S.Ct. 2479, 61 L.Ed.2d 82 (1979) (no implied right of action under § 17(a) of the Securities Exchange Act of 1934). The Second Circuit specifically has held, however, that a private cause of action exists, *Reitmeister v. Reitmeister*, 162 F.2d 691 (2d Cir. 1947). This decision has been upheld repeatedly in this Circuit, and the Supreme Court has declined opportunities to review the issue. *Guido v. City of Schenectady*, 404 F.2d 728, 731 (2d Cir. 1968), *cert. denied*, 395 U.S. 962, 89 S.Ct. 2099, 23 L.Ed.2d 748; *Pugach v. Dollinger*, 277 F.2d 739 (2d Cir. 1960), *aff'd per curiam on other grounds*, 365 U.S. 458, 81 S.Ct. 650, 5 L.Ed.2d 678 (1961). A district court should, in these circumstances, abide by controlling precedent, particularly since Congress has had ample opportunity to make clear any contrary intention. *Compare Touche Ross, supra*, 442 U.S. at 579, 99 S.Ct. at 2490.

the general public . . . ” *Id.* Defendants claim that this proviso removes their conduct from section 605’s prohibition, because HBO’s transmissions are broadcast for general consumption.

The problems posed by this litigation stem from the recent revolution in microwave technology that enables consumers willing to make a modest investment in simple equipment to receive MDS transmissions that previously were available only to authorized persons or at substantial cost. The FCC has considered many of the problems associated with these technological advances and has preliminarily concluded that the unauthorized interception of MDS broadcasts violates section 605. FCC, Public Notice, Unauthorized Interception and Use of Multipoint Distribution Service (MDS) Transmissions (Jan. 24, 1979). Courts have nevertheless felt free to construe section 605 independently of the FCC’s judgment, and while most decisions have been consistent with the FCC’s position, *National Subscription Television v. S & H TV*, 644 F.2d 820 (9th Cir. 1981), *rev’g* No. 80–829 (C.D.Cal. Aug. 4, 1980); *Chartwell Communications Group v. Westbrook*, 637 F.2d 459 (6th Cir. 1980); *Home Box Office, Inc. v. Pay TV of Greater New York, Inc.*, 467 F.Supp. 525 (E.D.N.Y. 1979), there is some authority to the contrary, *Otho-O-Vision, Inc. v. Home Box Office, Inc.*, 474 F.Supp. 672 (S.D.N.Y. 1979) (*dictum*).

Defendants contend that HBO transmissions are “intended for the use of the general public,” and therefore fall outside the reach of section 605. *Memorandum in Opposition to Application for Injunction* at 6. HBO’s microwave broadcasts should be viewed as intended for the general public, defendants contend, because its signal can be received by equipment widely available to, and within the means of, the general public, and HBO has taken no steps to protect its signal from unauthorized reception; because HBO’s programs are essentially indistinguishable from commercial television programs; and because HBO desires to reach as wide an audience as possible.

To determine whether HBO programs are intended for the general public requires more than a literal reading of the statute. The language of section 605 is the modern embodiment of a provision that has been a part of communications law for almost seventy years. Any attempt to construe it requires one to examine the statute’s origins, the legislative intent behind its enactment, and its regulatory history. These materials demonstrate that the considerations identified by defendants, though weighty, are insufficient to permit an interpretation that would protect their conduct in this case. In sum, these sources show that section 605 and its predecessors were designed, and have been used, to protect communications access to which the sender intends to restrict and is authorized by the FCC to restrict, even though unauthorized recipients could readily obtain the technological capacity to intercept the signal involved, and irrespective of the content of the transmission.

A. Legislative History

Section 605 of the Communications Act of 1934 originated as Regulation 19 to Section 4 of the Radio Act of 1912, Pub.L. No. 62-264 § 4, reg. 19, 37 Stat. 302. The 1912 Act was Congress's first major attempt to regulate the then rapidly expanding radio communications industry. The statute contained several provisions that are pertinent to this litigation. First, the statute set a pattern for future regulations by allocating radio frequencies for specific purposes, such as for use by the federal government, ships and coastal stations, and amateurs. *Id.* § 4. Later, under subsequent acts and regulations, nearly every frequency would be allocated for a specific purpose. Second, the 1912 Act required that all radio operators be licensed by the Department of Commerce and Labor, *id.* § 1, and placed restrictions on the nature and character of permissible radio signals in order to prevent or minimize interference with other radio signals, *id.* § 4. These provisions were also forerunners to those in the modern regulatory structure, through which the FCC controls nearly every aspect of the communications industry. Third, most important for purposes of this litigation, the confidentiality of communications was guaranteed by a regulation that had been urged by persons interested in radio for private, commercial purposes. The provision stated that, under pain of criminal penalty:

No person or persons engaged in or having knowledge of the operation of any station or stations, shall divulge or publish the contents of any messages transmitted or received by such station, except to the person or persons to whom the same may be directed, or their authorized agent, or to another station employed to forward such message to its destination, unless legally required to do so by the court of competent jurisdiction or other competent authority.

Ch. 287, § 4, reg. 19, 37 Stat. 302.

Regulation 19 did not contain any prohibition on the unauthorized interception or reception of radio communications, because the principal problem then faced by commercial users was the possibility that confidential messages would be disclosed by radio operators and other persons directly involved in the transmission process. Equipment that would have allowed the unauthorized reception of radio transmissions was not yet so widely available as to cause concern. Thus, in enacting Regulation 19, Congress sought to promote the growth of radio for commercial purposes by providing security for all administratively authorized transmissions for which the sender desired confidentiality.

The Radio Act of 1927, Pub.L. No. 69-632, 44 Stat. 1162, was designed to remedy problems caused by the rapid growth of the radio communications industry, particularly of commercial broadcast stations, in the years following the Radio Act of 1912. *See National Broadcasting Co. Inc. v.*

United States, 319 U.S. 190, 211–13, 63, S.Ct. 997, 1007–1008, 87 L.Ed. 1344 (1943); S. Davis, *The Law of Radio Communication* 54 (1927). The 1927 Act established the Federal Radio Commission (“FRC”) and gave it broad authority to control nearly every aspect of the radio industry, thereby overcoming judicial and administrative determinations that severely limited the power of the Secretary of Commerce and Labor to control the use of the airways under the Radio Act of 1912. See, e.g., *Hoover v. Intercity Radio Co.*, 286 F. 1003 (D.C.Cir.1923), writ dismissed, 266 U.S. 636, 45 S.Ct. 10, 69 L.Ed. 481 (1924). Among the specific powers accorded the FRC were the authority to grant licenses, classify radio stations, determine the nature of the services to be provided by each class of stations and each individual station, and determine permissible power levels and operation times. The licensing authority was to “make such a distribution of licenses, bands or frequency of wave lengths, periods of time for operation, and of power among the different States and communities as to give fair, efficient, and equitable radio service to each of the same.” The Radio Act of 1927, *supra*, § 9. Neither the 1927 Act nor its subsequent amendments provided any clearer guidance for issuing licenses and establishing services than the broad, highly discretionary standard of “public convenience, interest, or necessity.” *Federal Radio Commission v. Nelson Brothers Bond & Mortgage Co.*, 289 U.S. 266, 285, 53 S.Ct. 627, 636, 77 L.Ed. 1166 (1933).

Regulation 19 to section 4 of the Radio Act of 1912 was incorporated into section 27 of the 1927 statute. The revised provision contained the same general prohibitions against disclosure as its predecessor, and added broad restrictions on the unauthorized interception or reception of radio communications. The legislative history of the 1927 Act does not entirely explain this revision. But the Senate Report stated that “[t]he provisions regarding the protection of . . . messages against reception and use by unauthorized persons are largely a redraft of existing law and seem necessary and proper provisions.” S.Rep. No. 772, 69th Cong., 2d Sess. 5 (1926). The section was actually more than “largely a redraft.” It was, rather, an extension of protection apparently necessitated by the increasingly widespread availability of equipment capable of receiving radio transmissions intended for private use. Congress extended the protection in Regulation 19 to ensure that technological developments did not undermine the guarantees of confidentiality that were provided by the 1912 Act.

At the same time, however, the relatively new, yet burgeoning field of radio broadcasting added a new dimension to the radio communications industry. Broadcast stations, unlike other commercial users of radio, sought to have their transmissions reach as wide an audience as possible. The prohibitions in section 27 created the need for an exception to allow transmissions, by broadcasters and others who sought to reach the general public, to be intercepted and received without violating federal law, Sec-

tion 27, therefore, also provided “[t]hat this section shall not apply to the receiving, divulging, publishing, or utilizing the contents of any radio communication broadcasted or transmitted by amateurs or others for the use of the general public. . . .” The Radio Act of 1927, *supra*, § 27. The proviso, therefore, was aimed at enabling those who wished to reach the general public to do so without fear; it was not motivated by any expressed intention to permit access to signals that senders wished to keep from the general public.

The next major step in the federal regulation of the communications industry came in the Communications Act of 1934, Pub.L. No. 73-416, 48 Stat. 1064. The 1934 Act was one of the most comprehensive regulatory statutes ever devised by Congress. It was designed to combine the regulatory power that had previously been delegated to several agencies, including the Federal Radio Commission, into one agency, the Federal Communications Commission (“FCC”). S.Rep. No. 781, 73d Cong., 2d Sess. (1934); H.Rep. No. 1850, 73d Cong., 2d Sess. (1934). The statute has been called the “high-water mark of congressional abdication of power to the regulatory agency.” IV B. Schwartz, *The Economic Regulation of Business and Industry* 2374 (1973). Its overall structure and most of its specific provisions have survived forty years of changes in communications technology, including the development of television.

The stated purpose of the 1934 Act was to regulate radio and wire communications in order to provide the people of the United States with “rapid, efficient, Nation-wide, and world-wide wire and Radio communication service with adequate facilities at reasonable charges.” 47 U.S.C. § 151. The statute carefully separates common carriers from radio broadcasters. The definition of a common carrier in the 1934 Act provides, in part, that “a person engaged in radio broadcasting shall not, insofar as such person is engaged, be deemed a common carrier.” 47 U.S.C. § 153(h). The 1934 Act, unlike its predecessors, contains a specific definition of “broadcasting” as “the dissemination of radio communications intended to be received by the public, directly or by the intermediary of relay stations.” 47 U.S.C. § 153(o). Otherwise, the authority previously exercised by the FRC, such as to grant licenses, classify stations, assign frequencies, and control the nature and character of broadcast signals, was accorded the FCC. 47 U.S.C. § 303. And the criteria for determining whether an application for a license should be granted were left unchanged; the FCC was obligated to determine whether “public convenience, interest, or necessity would be served thereby.” *Id.* §§ 307(a) & 309(a). The FCC was given the same discretion as was enjoyed by the FRC to apply this standard as it saw fit, so long as relevant criteria were adequately considered. *National Broadcasting Co. v. United States*, 319 U.S. 190, 215-17, 63 S.Ct. 997, 1009, 87 L.Ed. 1344 (1943); *Federal Communications Commission v. Pottsville Broadcasting Co.*, 309 U.S. 134, 139, 60 S.Ct. 437, 440, 84 L.Ed. 656 (1940).

Section 27 of the Radio Act of 1927 became section 605 of the 1934 Act. 47 U.S.C. § 605. Aside from a provision that extended the section to cover communications by wire, no major changes were made by the new provision. The proviso, excluding certain transmissions from the section's prohibitions, was identical to the predecessor statute except that the word "broadcasted" in the 1927 Act was changed to "broadcast," and a comma was added to separate the word from the rest of the phrase. No legislative history to the 1934 Act is directly relevant to the issues in this litigation. The committee reports from both the House of Representatives and the Senate state only that "[s]ection 605, prohibiting unauthorized publication of communications, is based upon § 27 of the Radio Act, but is also made to apply to wire communications." H.Rep. No. 1850, *supra*, at 9; see S.Rep. No. 781, *supra*. Indeed, except for minor changes in wording and punctuation, made when the section was amended as part of the Omnibus Crime Control and Safe Streets Act of 1968, Pub.L. No. 90-351, 82 Stat. 223, section 605 is the same today as it was in 1934. The proviso now states that the prohibitions contained in section 605 "shall not apply to the receiving, divulging, publishing, or utilizing the contents of any radio communication which is broadcast or transmitted by amateurs or others for the use of the general public or which relates to ships in distress." 47 U.S.C. § 605.

The 1934 Act requires the FCC to "[a]ssign bands of frequencies to the various classes of stations, and assign frequencies for each individual station. . . ." 47 U.S.C. § 303(c). Pursuant to this authority, the FCC has prescribed detailed regulations governing the allocation and permissible uses of the vast range of frequencies on which radio communication is feasible. 47 C.F.R. § 2.101-106. Specific bands have been assigned for broadcasting; others have been designated for use by aircraft, ships, amateurs, common carriers, and other users. *Id.* § 2.106.

Prior to 1972, the frequency band ranging from 2150 to 2162 MHz was allocated to common carriers to provide point-to-point microwave radio service. FCC, Notice of Inquiry, Proposed Rulemaking and Order, Dkt. No. 80-112 (May 2, 1980). In response to requests by applicants for a frequency assignment to provide closed circuit television service to their customers, the FCC issued a Notice of Proposed Rulemaking on April 26, 1972, 34 F.C.C.2d 719. The FCC proposed to establish a new service, called Multipoint Distribution Service ("MDS") to allow common carriers to make closed circuit television available to their customers. This new service was "to provide for relay of instructional and training television to schools, industry, municipal government and for other miscellaneous uses such as the coverage of business, industry or medical conventions." 34 F.C.C.2d at 719.

The new MDS rules were finally promulgated in January 1974. Docket No. 19493, FCC 74-34, 45 F.C.C.2d 616. The regulations authorized ap-

plications to provide MDS service by those “legally, technically, financially, and otherwise qualified,” 47 C.F.R. § 21.32(b)(5), so long as there are available frequencies and “the grant will serve the public interest, convenience, and necessity.” 47 C.F.R. § 21.32(a). Neither the new rules nor the accompanying report and order to the Commission, nor the regulations, specify the permissible uses of MDS, except that the regulations as adopted provide that—with certain exceptions—MDS stations “may render any kind of communications service consistent with the Commission’s Rules and the legally applicable tariff of the carrier.” 47 C.F.R. § 21.903(b). That entertainment programming was within the class of MDS services contemplated by the FCC is proved by the simultaneous promulgation of regulations concerning the annual reports that MDS common carriers were obligated to file. These reports are required to show the total transmission hours during the prior calendar year in a number of programming categories, including one designated “entertainment.” 47 C.F.R. § 43.72(a)(5)(iii).

The regulations also provide, among other things, for controls on interference with other MDS users, *id.* § 21.902; maximum transmitter power, *id.* § 21.904; requirements for transmitting antennas, *id.* § 21.906; and other transmission standards, *id.* § 21.907. Many of these regulations differ substantially from analogous regulations promulgated to govern broadcast stations. *See generally* 47 C.F.R. §§ 73.1–73.4280. Moreover, the regulations also require that the carrier specify, in a tariff filed with the FCC, “the parameters of the service to be provided, including the degree of privacy of communications a subscriber can expect in ordinary service. If the ordinary service does not provide for complete security of transmission, the tariff shall make provision for service with such added protection upon request.” *Id.* § 21.903(c).

B. *Application of Section 605 to HBO/MDS Transmissions*

The legislative and regulatory history of section 605 refutes defendants’ argument that HBO’s transmissions should be seen as intended for the general public within the meaning of the proviso to section 605.

[1] First, the fact that HBO’s programs can be received by equipment that is readily available to the general public does not deprive HBO’s communications of section 605’s protection. Beginning with regulation 19 to section 4 of the Radio Act of 1912, and continuing to the present, Congress has sought to protect transmissions that are among those easiest to disclose or intercept. The 1912 Act sought to restrain only those persons who had direct access to confidential communications, because they were the danger confronting the privacy of the transmission process at that time. This prohibition was extended in 1927 to bar any unauthorized reception and interception in response to the technological advances that

had made equipment capable of receiving confidential radio communications widely available. The fact that Congress, in 1927, removed broadcasts, and other transmissions intended for the general public, from the protection of the section does not establish that Congress meant to protect only transmissions that were difficult to intercept; rather, the measure was designed to ensure that persons who wanted their transmissions to be generally received would not be thwarted by the prohibitions on reception or interception.

Moreover, section 605 has long been interpreted to prohibit unauthorized interception and disclosure without regard to the technical difficulties involved. In decisions under the 1934 Act, the Supreme Court had held that information obtained through the use of wiretaps could not be used as evidence in criminal prosecutions because the gathering of the information was accomplished in violation of section 605. *Weiss v. United States*, 308 U.S. 321, 60 S.Ct. 269, 84 L.Ed. 298 (1939); *Nardone v. United States*, 302 U.S. 379, 58 S.Ct. 275, 82 L.Ed. 314 (1937). In neither case did the Court consider, because it would have found irrelevant, the method by which the interceptions were accomplished. In *United States v. Fuller*, 202 F.Supp. 356 (N.D.Cal.1962), for example, an individual was convicted for intercepting radio transmissions between members of the San Francisco police and fire departments and disclosing them to a radio station. The availability of inexpensive equipment to accomplish such results makes the conduct no more permissible. Other courts have specifically held that the means used to intercept confidential communications is irrelevant in determining whether section 605 was violated. *See, e.g., United States v. Polakoff*, 112 F.2d 888, 889 (2d Cir. 1940), *cert. denied*, 311 U.S. 653, 61 S.Ct. 41, 85 L.Ed. 418 (1940). *See also United States v. Gruber*, 123 F.2d 307 (2d Cir. 1941) (upholding the conviction of a lawyer who induced a telephone company operator to connect his office telephone to calls between members of the Securities and Exchange Commission).

[2] Second, HBO's failure to restrict reception of its transmissions by scrambling its signal cannot be given the significance attached to it by defendants. There is no indication in the statutory language, or in the legislative or regulatory history, to suggest that Congress meant to protect only those persons who take affirmative steps to keep transmissions confidential. The FCC could have required that common carriers scramble all MDS signals, but it has relied instead on regulations that allow carriers to modify signals or equipment at their own discretion or upon the request of their subscribers. 47 C.F.R. § 21.907(e), 21.908(f). All carriers must include in their tariffs a provision that they will add signal protection at the request of a subscriber, *id.* § 21.903(c), but the cost of such protection would surely be passed on to the subscriber and its customers. Testimony at the hearing demonstrated that scrambling the MDS signal would be expensive if done without violating Microband's obligation to provide its

customers with high-quality reception. 47 C.R.F. § 21.907-08. Microband would need to purchase a new transmitter, at a cost of about \$400,000, and HBO would have to install descrambling units on each subscriber's television set, or with each MDS antenna, at a cost of up to \$150 per set. Tr. 34-35 (Testimony of Gilbert E. Jones, Jr.).

Signal scrambling, or any other technical protection now available, might not substantially enhance signal security. Testimony at the hearing indicated that all practical forms of scrambling are subject to descrambling. Furthermore, defendant ACT represented in its dealer's manual that, if HBO scrambled its own signal, ACT would quickly provide an inexpensive descrambling unit to prior purchasers of ACT's antenna and down-converter. Plaintiff's Exhibit ("PX"), 3, § 10, ¶8. At the hearing, ACT's President, Kenneth L. DeCosta, testified that he had recently decided that ACT would not distribute descrambling equipment after all, because he now believes that the sale or distribution of such equipment would violate federal law. Tr. 134, 140-41. But even if this dubious testimony were credited, descrambling equipment remains readily available. Finally, commercial television sets produced at this time are as yet incapable of receiving MDS without supplementary equipment. So long as this is so, the FCC and HBO may reasonably assume that the ordinary, law-abiding citizen will not unilaterally take steps to intercept MDS.

Defendant's contention that HBO's programs are not entitled to section 605 protection because they are indistinguishable from those programs presented on commercial television stations is similarly unconvincing. HBO claims, to begin with, that its programming is different because its programs are presented without commercial interruption, and because they are often motion pictures or sporting events that have not been made available to commercial television stations. More important, nothing in the statutory language, legislative and regulatory history, or judicial interpretations of section 605 suggest that a transmission must be unusual or unique to gain protection under section 605. The Radio Act of 1912 and subsequent statutes barred unauthorized disclosure, and later interception and reception, of all private radio transmissions. There was no requirement that the party who wished to keep a transmission confidential prove that the communication was dissimilar from other, available transmissions. The proviso to the 1927 and subsequent statutes did not change this basic part of the statute; rather, they merely exempted from coverage those communications that were intended to reach the general public. As noted previously, the FCC has determined that MDS can be used for any kind of communications service that is consistent with the Commission's rules and the applicable tariff. 47 F.C.R. § 21.903(b); *see* 47 C.F.R. § 43.72(a)(5)(iii).

Defendants contend that a decision in favor of HBO would mean that a commercial television station, such as a VHF broadcaster, could declare itself a "private" broadcaster, charge individual customers for receiving its programs, and then sue manufacturers of ordinary television sets for selling products designed to intercept its signal. *Second Supplemental Memorandum in Opposition to HBO's Application for Injunctive Relief* at 6. That hypothetical series of events is unrealistic, however, because any attempt by a commercial television station so to limit its signal would contravene its license to broadcast, which not only permits the broadcaster access to the general public, but also requires the broadcaster to assure the public's access to its signal. HBO, on the other hand, operates pursuant to a license that is designed to promote commercial intercourse by restricting access, and HBO would be prohibited from becoming a broadcaster by permitting access by the general public to its signal.

It is true, as defendants argue that HBO wants its programs to reach as wide an audience as possible. But this does not render its transmissions "intended for the general public" and therefore exempt from the protection of section 605. In *Functional Music, Inc. v. Federal Communications Commission*, 274 F.2d 543 (D.C.Cir.), *cert. denied*, 361 U.S. 813, 80 S.Ct. 50, 4 L.Ed.2d 81 (1958), the court reviewed an FCC determination that a subscription service, whereby an FM station provided "background music" without commercials by transmitting to subscribers supersonic signals that cut off the normal programming during advertisements, did not constitute broadcasting as defined in section 153(o) of the statute, and therefore that it was improper for a radio station licensed to "broadcast" to provide the services. The court vacated the FCC order, finding that such service fit within the statutory definition of broadcasting. Judge Bazelon wrote: "Broadcasting remains broadcasting even though a segment of those capable of receiving the broadcast signal are equipped to delete a portion of that signal," and went on to state that "functional programming can be, and is, of interest, to the *general* radio audience." *Id.* at 548 (emphasis in original).

Defendants urge that *Functional Music* establishes that "the transmission of programming which [is] of interest to the general public constitute[s] broadcasting even though one cannot view the programs without paying a fee for special equipment." Defendants' Memorandum in Opposition to Application for Injunction at 7-8. But *Functional Music* does not support defendants' position. The case did not involve an interpretation of section 605; rather, it resulted from an FCC determination that a certain type of transmission did not fit within the statutory definition of broadcasting in section 153(o), for the purpose of determining whether a given radio station was operating within the terms of its broadcast license. The Court of Appeals for the District of Columbia Circuit was acting on a direct challenge to an FCC order issued in accordance with

statutory authority, and found the FCC's determination "clearly erroneous," 274 F.2d at 548. Moreover, in *Functional Music* the court looked to the underlying radio signal and found that it was intended to reach the general public. The court noted that the radio station derived substantial revenue from advertisers who desired to reach a large audience. The fact that certain persons could delete a portion of the signal did not negate that basic intent of the transmitting party. If anything, therefore, *Functional Music* stands for the general proposition that it is necessary to look to the intent of the transmitting party in order to determine whether a transmission is a broadcast within the meaning of section 153(o).

The *Functional Music* decision is consistent with a number of FCC determinations about the types of transmissions that are properly within the scope of a broadcast license, as well as with cases that have considered similar issues in the context of section 605. In fact, Judge Bazelon specifically contrasted the transmissions at issue in *Functional Music* with cases holding that transmissions that were essentially private in nature—intended for a specific and limited audience—were impermissible under a broadcast license, such as the transmission of coded horse-race results in *Bremer Broadcasting Co.*, 2 F.C.C. 79 (1935), local police messages in *Adelaide Lillian Carrell*, 7 F.C.C. 219 (1939), and spiritual, vocational and marital advice to specified listeners in *Scroggin & Company Bank*, 1 F.C.C. 194 (1934). *Functional Music, Inc. v. Federal Communications Commission*, *supra*, 274 F.2d at 548.

The same rationale has been used in cases involving section 605. For example, in *KMLA Broadcasting Corp. v. Twentieth Century Cigarette Vendors Corp.*, 264 F.Supp. 35 (C.D.Cal.1967), defendants were found to have violated section 605 by distributing equipment that allowed purchasers to receive "background music" transmitted by plaintiff for the exclusive use of paying subscribers via a special signal, called a multiplex channel, allocated by the FCC for that purpose. The court found that, because the background music could not be heard by anyone who had not paid the subscription fee, the program was not intended for the general public and was therefore protected by section 605's prohibitions on unauthorized interception and disclosure. The fact that the background music was similar to the type of programming offered by commercial radio stations did not affect the court's decision. Similarly, in *Chartwell Communications Group v. Westbrook*, *supra*, a subscription television service ("STV"), whereby plaintiff broadcast a scrambled signal via a standard UHF frequency, was held not to be broadcasting because it was intended only for paying subscribers. *Id* at 465. *See also National Subscription Television v. S. & H TV*, *supra*. In *Home Box Office, Inc. v. Pay TV of Greater New York, Inc.*, *supra*, Judge Nickerson considered the unauthorized interception of the same type of MDS transmissions that

are at issue in this litigation and concluded that the signals were not intended for the use of the general public and thus were within the protection of section 605. *Id.* at 528.

The only contrary authority left standing is *Orth-O-Vision, Inc. v. Home Box Office, Inc.*, *supra*, where the court refused to grant HBO summary judgment on its claim that a former affiliate's unauthorized sale of HBO's programming violated section 605. In language unnecessary to its disposition of the case, the court found that HBO programs were intended to be received by the general public. *Id.* at 682. The decision was based on the content of HBO's programming, which was similar to commercial television broadcasting, and on the fact that the FCC had taken the position that STV service, which the court found to be analogous to MDS, was not protected by section 605.

Most of the courts that have discussed whether a transmission is protected by section 605 have given considerable weight to the apparent intent of Congress and the FCC to keep certain communications private. In *KMLA Broadcasting Corp. v. Twentieth Century Cigarette Vendors Corp.*, *supra*, the court pointed out that the FCC had established a comprehensive regulatory scheme for the multiplex transmissions at issue in the case, and that the regulations differed significantly from those for broadcasts stations, a distinction that also applies to the regulations promulgated for MDS, 264 F.Supp. at 42. In *Chartwell Communications Group v. Westbrook*, *supra*, 637 F.2d at 465, the court noted that, though the FCC's action might be read as a ruling that STV was "broadcast" for purposes of section 605, a recent FCC staff report had challenged the validity of such a conclusion.

The defendants in the present case rely heavily on the aforementioned FCC position, announced in 1966, that STV is broadcasting within the meaning of section 153(o). See Notice of Proposed Rule Making and Notice of Inquiry, 3 F.C.C.2d 1 (1966), reconfirmed in FCC's Fourth Order and Report, 15 F.C.C.2d 466, 472 (1968). But even to the extent that the FCC's position may have continued validity, it is not controlling in the present case. STV programs are transmitted on a frequency that has been set aside by the FCC for television broadcasting. Thus the FCC may have been within its statutory power to classify radio stations and to assign frequencies, 47 U.S.C. § 303(a) & (c), when it determined that the fact that certain individuals could not properly receive STV signals without descrambling equipment did not remove such signals from the statutory category of broadcasts. But the FCC has made no such determination with respect to MDS signals. Both the regulatory scheme and the official position of the FCC reflect a determination that MDS signals are not "broadcast" and are therefore within the protection of section 605. FCC 1979 Public Notice, *supra*.

The history of FCC regulation of MDS transmissions demonstrates that the FCC expected and required MDS to be used for restricted access transmissions. To allow defendants, or any other person or group, to intercept MDS transmissions would defeat this purpose. Successful utilization of the MDS band requires protection from unauthorized interception for precisely the same kinds of reasons that led the draftsmen of the earlier radio acts to provide protection for confidential commercial communications. Defendants threaten the viability of a type of transmission that the MDS system was specifically designed to encourage, and there is no countervailing social or policy consideration that would justify protection for their exploitative business operation. In fact, the conduct and purposes of defendants in this case are also relevant considerations in judging the FCC's position. The FCC or HBO might face difficulties, for example, in enforcing section 605 against a manufacturer or purchaser of a television receiver or other related device that enables consumers in general to receive MDS among a wide range of previously designated "point-to-point" transmissions. Those difficulties need not now be examined, however. ACT, its President, and its distributors have knowingly sought to sell the products at issue for the specific (if not the sole) purpose of "bootlegging" HBO's signal in the New York area. They do not claim otherwise. The antenna involved is so designed that it receives frequencies on which MDS is transmitted, and nothing else. As applied to these defendants, therefore, and the product they sell, the FCC's position is reasonable and clearly within the purpose of section 605.

[3] In conclusion, the FCC's judgment that unauthorized interception of MDS transmissions violates section 605 is entitled to the deference normally accorded to the opinions of expert agencies to which Congress has delegated broad policy-making authority. *Udall v. Tallman*, 380 U.S. 1, 16-17, 85 S.Ct. 792, 801, 13 L.Ed.2d 616 (1965); *Power Reactor Development Co. v. International Union of Electrical, Radio and Machine Workers*, 367 U.S. 396, 408, 81 S.Ct. 1529, 1535, 6 L.Ed.2d 924 (1961). Courts must be hesitant to substitute their own judgments for those of the FCC. *Mt. Mansfield Television, Inc. v. Federal Communications Commission*, 442 F.2d 470, 482 (2d Cir. 1971). "[C]ourts should not overrule an administrative decision merely because they disagree with its wisdom"; they should uphold the decision if they find that it "was not arbitrary or against the public interest as a matter of law." *Radio Corporation of America v. United States*, 341 U.S. 412, 420, 71 S.Ct. 806, 810, 95 L.Ed. 1062 (1951) (footnotes omitted). Moreover, the record in this case establishes that the FCC's judgments pertaining to MDS transmissions are reasonable when applied to the facts of this case, where the defendants' purpose in selling the equipment involved is to enable purchasers to intercept HBO's signal, where the equipment is designed specifically and solely to intercept the MDS radio frequency band, and where without the

equipment viewers with conventional sets would be unable to view HBO and unlikely to seek to do so through some illegitimate means.

Plaintiff will prepare an injunctive order consistent with this opinion, on ten days notice to defendants. The order should exclude from its coverage the individual defendant, Richard Kalin, Esq., who has already ceased selling ACT's equipment, and who has assured the Court that he will abide by the Court's ruling without any order to that effect.

SO ORDERED.

Catherine **HOSTE**, Plaintiff-Appellant, v. **RADIO CORPORATION OF AMERICA RECORD SALES, INC.**; Allied Artists Pictures Corporation; Hill and Range Songs, Inc.; Don Robertson; Hal Blair; Vernon E. Presley, Executor of the Estate of Elvis Presley, deceased; Gladys Music, Inc., Defendants-Appellees

No. 79-1561

(United States Court of Appeals, Sixth Circuit—Argued June 3, 1981—Decided July 7, 1981)

654 F.2d 11. 212 USPQ 153

In copyright infringement case, defendant moved for summary judgment. The United States District Court for the Eastern District of Michigan, Julian Abele Cook, Jr., J., granted the motion and plaintiff appealed. The Court of Appeals held that: (1) three-year statute of limitations of Copyright Act barred recovery of any claims based on damages accruing more than three years before the complaint was filed, and (2) summary judgment for defendants on basis of laches was precluded by material issues of fact as to whether delay in bringing suit had been unreasonable and whether defendants had been prejudiced.

Judgment reversed insofar as it granted summary judgment on laches issue and cause remanded.

1. Copyrights and Intellectual Property

In copyright infringement case, three-year statute of limitations of Copyright Act barred recovery of any claims based on damages accruing more than three years before the complaint was filed. 17 U.S.C.A. §§ 101 et seq., 507(b).

2. Copyrights and Intellectual Property

In copyright infringement case, summary judgment for defendants on basis of laches was precluded by material issues of fact as to whether delay in bringing suit was unreasonable and whether defendants were prejudiced by the delay. 17 U.S.C.A. §§ 101 et seq., 507(b).

3. Federal Civil Procedure

Any presumption of injury to defendants from delay in bringing suit would merely shift to plaintiff the burden of showing absence of prejudice and would not be proper basis for summary judgment.

Catherine Hoste, pro se.

Ernest I. Gifford, John F. Hunt, Van Ophem, Sheridan & Sprinkle, P.C., Birmingham, Mich., for plaintiff-appellant.

Herbert Rollins, Rollins & Rollins, Thomas G. Rollins, Detroit, Mich., for defendants-appellees.

Before LIVELY, MERRITT and KENNEDY, Circuit Judges.

PER CURIAM. The plaintiff appeals from an order granting summary judgment to all defendants in this case claiming copyright infringement. Plaintiff obtained a copyright of her song "As Long As I Have You" in 1946 and a renewal in 1974 as an unpublished composition. In her *pro se* complaint filed on March 9, 1978, she stated that she heard Elvis Presley sing a song. "I'm Yours" on September 2, 1965 and that the Presley song was practically identical to hers except for some changes in the lyrics. She also alleged that "I'm Yours" continued to be performed after 1965.

[1] The district court held that the Copyright Act provides a three year statute of limitations which bars recovery of any claims of plaintiff for damages which accrued prior to March 9, 1975. 17 U.S.C. § 507(b). We agree and affirm the judgement to that extent.

[2] The district court further held that recovery of damages for the period subsequent to March 9, 1975 is barred by laches. The defendants filed no affidavits in support of the motion for summary judgment. Thus there was no evidence of prejudice to them by reason of the plaintiff's delay in filing this action. A showing of prejudice is a requirement for application of the doctrine of laches. The district court apparently determined that prejudice to the defendants could be presumed from the inordinate delay in bringing this action.

[3] We conclude that summary judgment was inappropriate. The complaint raised material issues of fact as to whether the delay in bringing suit was unreasonable and whether the defendants were prejudiced by the delay. Any presumption of injury to the defendants would merely shift the burden to the plaintiff to show absence of prejudice; it would not be a proper basis for summary judgment. See *Watkins v. Northwestern Ohio Tractor Pullers*, 630 F.2d 1155 (6th Cir. 1980).

The plaintiff is now represented by counsel and the issues should be developed without difficulty on remand.

The judgment of the district court is REVERSED insofar as it granted summary judgment on the laches issues. The cause is REMANDED for further proceedings.

IDEAL TOY CORPORATION, Plaintiff, v. **CHINESE ARTS & CRAFTS, INC.**, Huang & Co., Drybranch, Inc., Skor-Mor Products, Inc., Syd-Art Novelty Co., Inc., Golden Kazoo, Kingstone International Corp., Denenberg Associates, Cal Sternberg & Associates, David Oestreich, Inc., Robert S. Koons and Associates, and John N. Hansen Co., Inc., Defendants

IDEAL TOY CORPORATION, Plaintiff, v. **HENRY WEDEMEYER, INC.**, Defendant

Nos. 81 CIV. 3015 (CBM), 81 CIV. 3111 (CBM)

(United States District Court, S. D. New York—November 24, 1981)

530 F.Supp. 375. 217 USPQ 959

Marketer of Rubik's Cube brought trademark infringement and unfair competition action against competitors. On motion for preliminary injunction, the District Court, Motley, J., held that: (1) plaintiff showed likelihood of success on the merits of its claim that the trade dress of the defendants was confusingly similar, and (2) balance of hardships tipped in favor of plaintiff.

Motion granted.

1. Trade Regulation

Similarity of defendants' game cube to the plaintiff's Rubik's Cube, similarity of packaging, and similarity of the entire image presented to the customer by the combination of appearance of the cube in its package indicated that defendants' products and packaging were intentionally made similar to plaintiff's to capitalize on the appearance of plaintiff's product.

2. Trade Regulation

Fact that there were functional reasons for color scheme adopted by the trademarked device, including simplicity and attractiveness, did not rule out possibility that those colors could acquire secondary meaning under the Lanham Act; where there are great number of available colors, shades of colors, and color combinations, a distinct color combination must be considered nonfunctional. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

3. Trade Regulation

To succeed on the merits of a Lanham Act or a claim under New York unfair competition law, plaintiff must show that there is a likelihood of confusion between its trade dress and that of the second comers. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

4. Trade Regulation

Under New York unfair competition law, even though the plaintiff does not show secondary meaning, it is sufficient to sustain the issuance of an injunction if plaintiff can show that the trade dress of the second comer is confusingly similar to its own. N.Y.McKinney's General Business Law §§ 133, 368-d.

5. Trade Regulation

Holder of trademarks on Rubik's Cube showed likelihood of success on the merits of its claim that competing products were confusingly similar to its product. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a); N.Y.McKinney's General Business Law §§ 133, 368-d.

6. Trade Regulation

Whether the plaintiff's trade dress acquired a secondary meaning under the Lanham Act may be determined by factors such as plaintiff's advertising and sales record, a survey of consumer recognition, and conscious imitation of the plaintiff's product. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

7. Trade Regulation

Number of imitators and accuracy of the copying of plaintiff's trade dress is persuasive evidence that the trade dress had acquired second meaning.

8. Trade Regulation

Company marketing the Rubik's Cube with trade dress which it claimed was protected showed that the balance of hardships tipped in favor of grant of preliminary injunction against competitor's product carrying an allegedly confusingly similar design.

Curtis, Morris & Safford by Lewis H. Eslinger, Pasquale A. Razzano, New York City, for plaintiff.

Simone Song by Simone Song, Robert Fong, Larry Kushner, New York City, for defendants Kingstone Intern. Corp. and Denenberg Associates.

Joseph Winston by Allan Winston, New York City, for Henry Wedemeyer, Inc.

Fish & Neave by Donald E. Degling, Charles P. Kennedy, New York City, for defendants John N. Hansen Co., Inc. and Robert S. Koons and Associates.

OPINION

MOTLEY, *District Judge*. This is an action for alleged common law and statutory trademark infringement and unfair competition. The applicable statutes are Section 43(a) of the Trademark Act of July 5, 1946 (Lanham Act), 15 U.S.C. § 1125(a), and the New York General Business Law, §§ 133, 368-d.

The jurisdiction of the court over the defendants and the subject matter is not contested.

Plaintiff has moved for a preliminary injunction, pursuant to Fed.R.Civ.P. 65, restraining defendants from infringing on its alleged trade dress with regard to a product known as "RUBIK'S CUBE". The court has decided to issue the requested injunction, for the reasons discussed below.

Standard

To obtain a preliminary injunction in this Circuit, the party seeking relief must show both irreparable injury and either

- 1) likelihood of success on the merits, or
- 2) sufficiently serious questions going to the merits to make them a fair ground for litigation and a balance of hardships tipping decidedly in its favor. *Jackson Dairy, Inc. v. H. P. Hood and Sons, Inc.*, 596 F.2d 70, 72 (2d Cir. 1979); *Selchow & Righter Co. v. McGraw Hill Book Co.*, 580 F.2d 25, 27 (2d Cir. 1978)

Findings and Conclusions

Plaintiff, Ideal Toy Corporation (Ideal) is a Delaware corporation having a principal place of business at 184-10 Jamaica Avenue, Hollis, New York. Ideal is a large manufacturer and seller of toys, dolls, games and puzzles in the United States and elsewhere.

Defendant John N. Hansen Co., Inc. is a California corporation, having a principal place of business at 369 Adrian Road, Millbrae, California.

Defendant Henry Wedemeyer, Inc. is a corporation of the State of New York having a place of business located at 41 Madison Avenue, New York, New York.

Defendant Kingstone International Corp. is a corporation having a place of business in Los Angeles, California.

Defendant Denenberg Associates is a sales and marketing representative for Kingstone International Corp., and is located in Holiston, Mass.

Defendant Robert S. Koons and Associates is a corporation having a place of business at 332 W. Jackson Road, Webster Groves, Mo.

Plaintiffs and all defendants are now engaged in selling in the United States a puzzle made up of 27 colored cubes.

The cube which Ideal sells was invented by a teacher in Hungary, Erno Rubik, in about 1975. Ideal now has, by agreement, an exclusive arrangement with the inventor to sell the puzzle in the United States.¹ Ideal calls its product RUBIK'S CUBE and has applied to register as its trademark the name RUBIK'S CUBE.

Each RUBIK'S CUBE is a solid cube appropriately 2" x 2" x 2". Each of the six sides of RUBIK'S CUBE consists of nine smaller cubes, stacked three cubes high and three cubes across. Each of the three levels on a side can be rotated on an axis. Brightly colored adhesive squares of six different colors are applied to the outer faces of each of the 27 smaller cubes.

When originally purchased each of the six sides consisting of nine smaller cubes is of the same color. The colors used on the sides of plaintiff's RUBIK'S CUBE are white, red, blue, green, yellow, and orange. Each color is rich and distinctive. Since a particular color is placed on the black plastic of which each smaller cube is made, the rich black border thus formed for each cube gives the entire cube a striking appearance.

The game is to manipulate each level of the cube so as to mix up the colors, and then try to reassemble the cube into the original one-color-per-side position. It is, of course, easy to mix up the colors. It apparently requires "genius" to reassemble the cubes to their original start position.

¹Although the agreement itself was not introduced in court, the attorney for defendants Hansen and Koons conceded that Ideal had an exclusive agreement permitting it to sell the cubes in the United States. (Tr. p. 172, 180).

The original packaging of the Ideal cube was a clear, cylindrical tube approximately three or four inches high and three inches in diameter which is placed on a black plastic base upon which the cube rests. The cylindrical tube is attached to the base by a black adhesive strip on which appear the words "RUBIK's CUBE". Inside the package appears the cube in the start and finish position with each of the sides containing one solid color.

Ideal claims that the colors, start position, and packaging are its trade dress. Defendants claim that these features are in the public domain as functional aspects of the product.

The evidence on the preliminary injunction hearing disclosed that defendants are all marketing cubes which have an appearance strikingly similar to plaintiff's, although some defendants also market other variations of the cube's colors, shape and size. The court's determination of the appearance of the Hansen cubes comes from viewing the exhibits before it. As to the other defendants, the only evidence before the court was the testimony of Mr. Joseph Aglione, a private detective hired by plaintiff's counsel. Mr. Aglione testified that he went to the New York trade show or (in the case of defendant Wedemeyer) to defendant's place of business and ordered or saw a defendant's cube similar to plaintiff's cube displayed for sale. The court finds Mr. Aglione to be a credible witness. None of the defendants offered testimony with regard to the cubes which were not before the court. Thus, with the exception of defendant Hansen there was no testimony or other evidence offered to contradict that of Mr. Aglione.

The court finds that the accused cubes marketed by each of the defendants are confusingly similar to that of Ideal. Each defendant's cube uses substantially the same colors and the same start position. The packaging of defendant Hansen's cube was originally also confusingly similar, if not identical, to plaintiff's packaging (with the exception of the name on the cylindrical tube base.). The minor differences such as color shading in some of the Hansen cubes that plaintiff contends infringe its trade dress are such as would not readily be discerned by the average consumer, especially when the cubes are seen at a distance, as in a store window or display.

Defendants claim that plaintiff had functional reasons for adopting the trade dress that it did. They point to advantages of solid colors over, for example, pictures of fruit on the sides of the cube, and that a clear, cylindrical container is an advantageous way to display the product to consumers. Even granting that these features have functional benefits, however is not to say that there are not an infinite number of other functional ways to package or display the product, or to dress the cube.

A square package or a triangular package, or any number of other shapes, sizes, and degrees of transparency could be used to advantage to display much of the cube.

The same applies to the cube itself. A wide variety of possible patterns on each cube, other than solid colors,⁵ as well as a wide variety of colors, shapes and sizes could have been used by defendants in their products. This is amply demonstrated by the great variety of cubes presented to this court—a variety which, in the court's view, does not begin to approach the limits of imagination or industry.

[1] The great similarity to RUBIK'S CUBE of the cubes used by each of the defendants and the great similarity to plaintiff's packaging of the packaging used by defendant Hansen, and the entire image presented to the consumer by the combination of the appearance of the cube in its package where this was demonstrated to the court, strongly indicates that defendants' products and packaging were intentionally made similar to plaintiff's to capitalize on the appearance of plaintiff's product. One need only look at the cubes sold by each of the defendants, or listen to the testimony of Mr. Aglione, to understand the almost inevitable confusion that would be created in the mind of an average consumer confronted with defendants' products.

[2] To say that there are functional reasons for the colors adopted by plaintiff (simplicity, attractiveness), is not to rule out the possibility that those colors could have acquired secondary meaning under the Lanham Act. *Ives Laboratories, Inc. v. Darby Drug Co., Inc.*, 601 F.2d 631 (2d Cir. 1979). Where there are a great number of available colors, shades of colors, and color combinations, plaintiff's distinct color combination must be considered non-functional. The court does not find persuasive defendant Hansen's contention that there are limited colors available.

Since the court finds the use of solid colors to be non-functional, the use of the solid color scheme as the starting position for the puzzle is equally non-functional. Thus, had polka dots been used to dress the cube, the starting position would consist of the appropriate pattern of dots on each side of the cube rather than a solid color starting position.

As to the packaging, the court finds that this, if anything, is even more non-functional. In fact, when plaintiff wanted to compete on a price basis with its various competitors, it found a type of packaging other than the one allegedly infringed by defendants to be far more economical—for this purpose at least, far more functional. Plaintiff now retains its original packaging for its more expensive "Deluxe" model. The court finds that while the trade dress may have had some functional advantages, it had some functional disadvantages as well. Its use was, in essence, arbitrary. In addition, the fact that plaintiff found that its cylinder shaped package was easy to ship does not at all mean that there are not a great number of other trade dresses which were equally functional. For example, a clear, square container would have served many of the functional advantages of shipping, although it would not necessarily have helped make defendants'

products resemble plaintiff's. Plaintiff's packaging was, then, also arbitrary and capricious. In short, it is the view of this court that plaintiff's RUBIK's CUBE is readily identifiable by nonfunctional elements.

[3] To succeed on the merits of either its Lanham Act or its New York unfair competition claim, plaintiff must show that there is a likelihood of confusion between its trade dress and that of the second comer. *Perfect Fit Industries, Inc. v. Acme Quilting Co.*, 618 F.2d 950, 953 (2d Cir. 1980). 1980).

[4] Under New York law, even if plaintiff does not show secondary meaning, it is sufficient to sustain the issuance of an injunction that plaintiff show that the trade dress of a second comer is confusingly similar to its own. *Id.* "New York law imposes on the second comer 'a duty to do [sic] so name and dress his product as to avoid all likelihood of consumers confusing it with the product of the first comer.' To warrant protection the first comer's design 'need merely be distinctive enough to become recognized as [a mark of quality].'" *Commerce Foods, Inc. v. PLC Commerce Corp.*, 504 F.Supp. 190 (S.D.N.Y.1980) (citations omitted). The instant case presents the court with five separate second comers, each of which sells a product likely to be confused with that of plaintiff, and none of which dressed its product according to the dictates of *Perfect Fit* cited above. Plaintiff's product, on the other hand, is distinctive, as recognized by the many requests plaintiff has received to use its product or its design.

New York law on trade dress was summed up by the Second Circuit as follows:

[M]onopolization is not a problem in the realm of trade dress, because the possible varieties of advertising display and packaging are virtually endless. Thus, in this area New York law has concerned itself principally with whether or not the public is likely to be confused, rather than with whether the first comer's trade dress has acquired secondary meaning.

Perfect Fit Industries, Inc. v. Acme Quilting Co., *supra*, 618 F.2d at 953. The court has already referred to the almost inevitable confusion on the part of consumers who would be confronted with the products of each of the defendants previously named in the instant opinion. This applies equally to the New York law and Lanham Act claims.

[5] The court concludes that plaintiff has shown a likelihood of success on the merits of its claim that defendants' products are confusingly similar to plaintiff's product.

The court will now consider the issue of secondary meaning under the Lanham Act. The Court of Appeals in *Perfect Fit Industries, Inc. v. Acme Quilting Co.*, *supra*, 618 F.2d at 952-53, wrote as follows:

Secondary meaning was originally a trademark concept designed to limit the extent to which a manufacturer could monopolize words and symbols that are useful in describing products. The doctrine holds that a descriptive or geographical mark

receives protection against copying only if consumers have come to associate it with a particular manufacturer or source. When . . . the mark has thus acquired secondary meaning, a second comer is barred from using it because [confusion is certain to result in the public's mind].

[6] Whether plaintiff's trade dress acquired a secondary meaning under this act may be determined by factors such as plaintiff's advertising and sales record, a survey of consumer recognition, and conscious imitation of plaintiff's product. *RJR Foods, Inc. v. White Rock Corp.*, 603 F.2d 1058, 1060 (2d Cir. 1979); *Harlequin Enterprises, Ltd. v. Gulf & Western Corp.*, 503 F.Supp. 647, 650 (S.D.N.Y.1980), *aff'd* 210 USPQ 1 (2d Cir. 1981).

Using these criteria, the court finds plaintiff's advertising and sales figures to be considerable. Plaintiff spent over \$1,000,000.00 on advertising in 1980 alone. Most of that advertising displayed the cube and its then unique color scheme unhindered by any packaging. In addition, plaintiff has sold well over 5,000,000 of these items in a relatively short period of time.

Plaintiff has put forth a consumer survey which tends to indicate a high recognition factor for its cube. "While the results of any [research] survey . . . are open to—even invite—challenge by way of competing experts and rival studies, courts have found such studies to be useful tools in assessing 'secondary meaning.'" *Harlequin Enterprises, Ltd. v. Gulf & Western Corp.*, 502 F.Supp. 647, 650–51 (S.D.N.Y.1980), *aff'd* 210 U.S.P.Q. 1 (2d Cir. 1981). In the instant case, the court finds that although plaintiff's survey is not the final word on secondary meaning, it is persuasive evidence in support of plaintiff's contention that its trade dress has acquired secondary meaning.

[7] Finally, the number of imitators and the accuracy of the copying of plaintiff's trade dress is also persuasive evidence that the trade dress has acquired secondary meaning. There has been testimony and evidence regarding the appearance of cubes of each of the defendants, and a sample of defendant Hansen's cube has been put before the court. These indicate to the court an accuracy that implies very strongly intentional copying.

The court finds, assessing the factors in the above paragraph, that plaintiff would be likely to succeed on the merits in its attempt to prove secondary meaning.

Taking all of the factors together, plaintiff has established a likelihood of success in proving that defendants have intentionally copied its trade dress and that defendants' products are of such appearance as to cause substantial confusion among consumers. Ideal has established a likelihood of success in proving that its trade dress is non-functional and has acquired secondary meaning. In short, Ideal has shown a likelihood of success on its claims under the Lanham Act and under New York unfair competition law. The court need not reach plaintiff's New York statutory law claim at this time.

[8] In accordance with the discussion above, the court is of the opinion that, even had plaintiff not shown likelihood of success on the merits, it has certainly shown that it has a fair ground for litigation. The balance of hardships, in this court's view, tips decidedly in plaintiff's favor, as well. Plaintiff clearly has the most at stake in this litigation. Of the parties involved, it was the first to market the cube puzzle at issue. It has the exclusive arrangement with the owner of the patent in Hungary. It has been the primary marketer and advertiser of the puzzles that stem from the Rubik invention. It markets, as far as this court can discern, only one type of the puzzle: one set of colors two types of distinct packaging. Some of the defendants, on the other hand, show a wider variety of cubes available to them. In addition, defendants are relative newcomers in the market and, in the view of this court, would not suffer the hardships from an injunction that would attend the plaintiff if the injunction is denied.

Therefore, using this alternative test, the court is again of the view that the injunction should be granted.

To get a preliminary injunction, plaintiff must also show that it would suffer irreparable harm in the absence of such an injunction.

Due to the difficulty of measuring the value of goodwill represented by plaintiff's trade dress for its cube, irreparable injury will be found where there is a high probability of confusion. See *Omega Importing Corp. v. Petri-Kline Camera Co.*, 451 F.2d 1190, 1195 (2d. Cir. 1971); *P. Daussa Corp. v. Sutton Cosmetics (P.R.) Inc.*, 462 F.2d 134, 136 (2d Cir. 1972). Confusion itself results in loss of goodwill because consumers would likely mistake defendants' potentially inferior goods for those of plaintiff.

The court notes that "the owner's reputation and goodwill are placed in jeopardy due to the inability to exercise any control over the nature and quality of goods being sold or advertised. In addition it is usually difficult, if not impossible . . . to muster sufficient proof of the precise measure of its damages." *Miller Brewing Co. v. Carling O'Keefe Breweries Of Canada, Ltd.*, 452 F.Supp. 429, 437-38 (W.D.N.Y.1978). Thus, money damages would be difficult to calculate or prove in the instant case. See *Miller Brewing Co. v. Carling O'Keefe Breweries of Canada, Ltd.*, *supra*, 452 F. Supp. at 438. As plaintiff has shown a high probability of confusion, the irreparable harm requirement is satisfied, and an injunction is proper.

IDEAL TOY CORPORATION v. PLAWNER TOY MFG. CORP.

No. 81-1431

United States District Court, D. New Jersey—Decided October 20, 1981

215 USPQ 610

[See also 685 F.2d 78, 216 USPQ 102, 46 C.O.Bull. 632 (3d Cir.—*Affirmed as modified*, July 26, 1982)]

Action by Ideal Toy Corporation, against Plawner Toy Mfg. Corp., for New Jersey unfair competition law violation, common-law trademark infringement, and Lanham Act Section 43(a) violation. On plaintiff's motion for preliminary injunction. Motion granted.

TRADEMARKS**1. Fraud and misrepresentation**

Lanham Act Section 43(a) plaintiff that claims that colors it uses on its puzzle cube, position in which it starts cube, and shape and color of packaging are protected must establish that these elements are nonfunctional and have acquired secondary meaning in consumers' minds, that is, consumers must associate these elements as gestalt with product made by plaintiff.

2. Fraud and misrepresentation

Lanham Act prohibits not only explicitly false representations and designations of origin, but also more subtle instances of deception.

3. Fraud and misrepresentation

Copying look of product for purpose of confusing consumers is violation of Lanham Act; such copying is actionable if features copied are trade dress primarily designed for identification, are nonfunctional, and have acquired secondary meaning.

UNFAIR COMPETITION**4. Appearance of goods or labels—Bottles and containers**

Package is not particularly material where all of packages used have common purpose of displaying as much of product as possible and product itself is protected and had been copied; however, identity of product and great similarity of packaging is indicative of manufacturer's intent to capitalize on plaintiff's product's appearance in promoting sale of manufacturer's product.

TRADEMARKS**5. Marks and names subject to ownership—Color****UNFAIR COMPETITION****Appearance of goods or labels—Color or appearance**

Colors in combination can acquire secondary meaning provided that there are sufficient available variations.

TRADEMARKS**6. Marks and names subject to ownership—Secondary meaning**

Court that is testing secondary meaning may consider such factors as length of use, buyer association, extent of sales and advertising, and fact of copying.

TRADEMARKS

7. Marks and names subject to ownership—Secondary meaning

Fact that plaintiff had used its trade dress on its product for at least one year prior to advent of copies, and over that time had directed attention to it by massive advertising which effort produced sales of more than five million products of plaintiff is not direct evidence of secondary meaning, but is factor for court to consider and is strong circumstantial evidence that consumers associate appearance of product with plaintiff.

TRADEMARKS

8. Fraud and misrepresentation

Lanham Act Section 43(a) standard is ordinary purchaser, not expert, and slight differences must be seen in that light; thus, possibility of confusion is heightened when distinctive traits are copied, and more subdued traits are not.

9. Injunction—Preliminary injunction

Lanham Act Section 43(a) plaintiff that has established likelihood of success in proving that its trade dress is nonfunctional and has acquired secondary meaning, and that appearance of defendant's product is such as to cause substantial confusion among consumers, must also demonstrate that it will suffer irreparable harm while its claim is pending to be granted preliminary injunction.

10. Injunction—Preliminary injunction

Where there is high probability of confusion in that plaintiff's product is superior to copies and continued association of its own with defendant's product will destroy goodwill and source significance that plaintiff has built up with its advertising, injury irreparable in sense that it may not fully compensable in damages almost inevitably follows.

11. Fraud and misrepresentation

Failure to acquire patent or copyright protection does not preclude relief under Lanham Act Section 43(a) against defendant that distributes identical cube puzzle as plaintiff's in similar packaging.

12. Injunction—Preliminary injunction

Defendant who is selling product that intentionally confuses public should not be able to avoid imposition of injunctive relief with plea that everyone is doing it.

Lewis H. Eslinger, Pasquale A. Razzano, and Curtis, Morris & Safford, P.C., all of New York, N.Y., for plaintiffs.

Jeffrey Miller, John Bain, and Carella, Bain, Gilfillan & Rhodes, all of Newark, N.J. for defendant.

SAROKIN, District Judge. In early 1980 Ideal began to distribute and sell a cube puzzle under the trademark "RUBIK'S CUBE." More recently defendant Plawner began to distribute an identical cube puzzle in similar packaging. Ideal sued Plawner on theories of New Jersey unfair competition law and common law trademark infringement appended to a claim for violation of the Lanham Act § 43(a), 15 U.S.C. § 1125(a). Pending resolution of these claims, Ideal has moved for a preliminary injunction pursuant to 28 U.S.C. § 1292(b).

To prevail on this motion Ideal must demonstrate the likelihood of ultimate success on its claim and irreparable injury during the pendency of

the action in the absence of restraints. *Oburn v. Shapp*, 521 F.2d 142 (3d Cir. 1975). In a proper situation, the court may also consider the relative equities between the parties and the public interest. *Id.* Since *Ideal* only need show it will succeed on one of its claims, the court will focus on the Lanham Act claim. However, all of the claims involve essentially the same elements and therefore substantially the same analysis would be involved as to each.

[1] The Lanham Act, § 43(a) provides, in relevant part that:

Any person who shall affix, apply, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce, and any person who shall with knowledge of the falsity of such designation of origin or description or representation cause or procure the same to be transported or used in commerce or deliver the same to any carrier to be transported or used, shall be liable to a civil action * * * by any person who believes that he is or is likely to be damaged by the use of any such false description or representation.

Ideal claims that the colors it uses on its cube, the position in which it starts the cube, and the shape and color of the packaging are protected. *Ideal* must establish that these elements are non-functional and have acquired a "secondary meaning" in the minds of consumers. That is, consumers must associate these elements as a gestalt with the product made by *Ideal*. *SK&F, Co. v. Premo Pharmaceutical Lab., Ind.*, 625 F.2d 1055, 206 USPQ 964 (3rd Cir. 1980).

Each face of *Ideal's* cube is divided into nine cubicles, which rotate and revolve around the central axes of the cube. *Ideal's* cube is manufactured in black, and brightly colored adhesive squares are applied to the small cubicles. Each adhesive square is slightly smaller than the cubicles to which it is affixed, and the result is a black border around each colored square. *Ideal* uses six colors, and the cube is presented for sale with each face bearing a distinct color. The purpose of the puzzle is to scramble the small cubicles and then reassemble the cube into the start position where each face again has only one color.

Ideal originally packaged its cube in a cylindrical transparent tube with a black base. The tube was attached to the base by a black adhesive strip with gold letters spelling out "RUBIK'S CUBE." *Ideal* claims that this package is tied to its product in the minds of consumers, at least in part due to massive advertising by *Ideal*.

Defendant's cube, which it does not manufacture but only distributes, has the exact appearance of *Ideal's*. The same colors are used, leaving black borders, and the cube is presented in the same start position. The package is identical to *Ideal's*, with the sole exception that the tape around the base spells out "WONDERFUL PUZZLER" instead of "RUBIK'S

CUBE.” The fact that defendant only distributes the item has no bearing on this motion, except as it might disprove intent to copy. Defendant claims that the colors, start position, and packaging are functional, and therefore in the public domain.

[2,3] The Lanham Act prohibits not only explicitly false representations and designations of origin, but also more subtle instances of deception. Copying the look of a product for the purpose of confusing consumers is a violation of the Lanham Act. *L’Aiglon Apparel, Inc. v. Lana Lobell, Inc.*, 214 F.2d 649, 102 USPQ 94 (3rd Cir. 1954). Such copying is actionable if the features copied are trade dress primarily designed for identification, are non-functional, and have acquired secondary meaning. *Pagliero v. Wallace China Co.*, 198 F.2d 339, 95 USPQ 45 (9th Cir. 1952).

[4] The exact style of packaging which Ideal uses is not functional. It does serve a purpose, but no more than any package would. Clearly the black tape and the color of the letters on the tape are not necessary elements, and it would be extraordinary if the exact appearance was arrived at merely by coincidence. However, the packaging is almost incidental here, because it is not likely that consumers look for this product by its package. All of the packages used have the common purpose of displaying as much of the cube as possible. Therefore, if the cube itself is protected, and has been copied, the package is not particularly material. However, the identity of the cube and the great similarity of the packaging is indicative of the manufacturer’s intent to capitalize on the appearance of Ideal’s product in promoting the sale of the manufacturer’s product.

[5] As noted, Ideal uses six colors on its cube. The cube sold by defendant uses the same six colors in the same shades. Provided that there are sufficient available variations, colors in combination can acquire secondary meaning. *Ives Laboratories, Inc. v. Darby Drug Co.*, 601 F.2d 631, 202 USPQ 548 (2d Cir. 1979). In the present instance, there are certainly numerous colors that could be used on the faces of the cube to differentiate them. In fact, it is not necessary to use solid colors at all. There are apparently cubes being marketed today using a wide variety of markings, including different fruits, numbers and dominoes. Even if the same colors are used, the size or shape of the adhesive patches used could be changed and the cube would have a different appearance. The colors, of course, do serve a function. Some distinctive marks are necessary to differentiate the faces. But given the wide variety of possible marks, the actual colors and patches used are nonfunctional.

The start position could be considered, given the colors, functional. Ideal claims that many other start positions are possible, but the object of the puzzle is to regain the solid colors, and any other start position would not be particularly enticing. Of course, this may be due in large part to the secondary meaning Ideal has already gained. That is, if Ideal had not made its cube so well known, its start position might not seem so func-

tional, and if some other configuration had been used, another position might seem the only natural one. The start position is an integral part of the design face of the code. For instance, if numbers were utilized, the start position might be sequential; if colors were used, a pattern other than solid could be considered. Pictures, drawings, designs and logos also could be utilized to vary the starting position. Therefore, if the colors utilized are not functional, then the starting position is not. Any designation which would enable the user to return to a given starting point would suffice. By its very nature to satisfactorily complete the puzzle, one must end where one has begun.

In sum, Ideal's cube is readily identifiable by nonfunctional elements. The next issue to determine is whether there is sufficient secondary meaning attached to these elements to require protection.

[6,7] In testing secondary meaning, this court may consider such factors as length of use, buyer association, extent of sales and advertising, and the fact of copying. It has been held that the fact of copying alone is sufficient to support a finding of secondary meaning, on the basis that there would be no purpose in copying a look with no associations. *Audio Fidelity, Inc. v. High Fidelity Recordings, Inc.*, 283 F.2d 551, 127 USPQ 306 (9th Cir. 1960). The two products here are identical.¹ The obvious inference is that Ideal's cube was copied because of some value its appearance had acquired. Ideal had used its cube for at least a year prior to the advent of the copies, and over that time had directed attention to it by massive advertising (more than \$17 million in 1980, and \$2 million over the last year-and-a-half). This effort produced the sale of more than five million cubes for Ideal. While this is not direct evidence of secondary meaning, it is a factor for this court to consider, and it is strong circumstantial evidence that consumers associate the appearance of the cube with Ideal's product. Ideal has also provided declarations of consumer recognition of its trade dress (some buyers sent copies to Ideal to have them repaired), and several surveys evidencing a high recognition value for the same trade dress.

[8] There can be no doubt of the existence of consumer confusion. The cubes are identical and although defendant's cube has a different name on the outside, such would not be sufficient to differentiate the product to the average consumer. The standard is the ordinary purchaser, not the expert, and slight differences must be seen in this light. *Omega Importing Corp. v. Petri-Kine Camera Co.*, 451 F.2d 1190, 171 USPQ 769 (2d Cir. 1971). Thus, the possibility of confusion is heightened when the distinctive traits are copied, and the more subdued traits are not (such as who actually manufactures the item). Furthermore, stores apparently display the defendant's cubes under Ideal's trademarked name, and it would take a very

¹Defendant's counsel conceded at oral argument that the puzzle being sold by defendant is a "knock off" of plaintiff's product.

sharp-eyed consumer to notice that the cubes did not match the displayed trademark.

[9] As noted above, the tape around the base of defendant's package is imprinted with its own name, "Wonderful Puzzler." A consumer who had never read the words on Ideal cube but had only seen it in advertising and on the shelf would have no real indication that he was not receiving the Ideal product. Taking all of the factors together, Ideal has established a likelihood of success in proving that its trade dress is non-functional and has acquired secondary meaning, and that the appearance of defendant's cube is such as to cause substantial confusion among consumers. To be granted a preliminary injunction, however, Ideal must also demonstrate that it will suffer irreparable harm while its claim is pending.

[10] Ideal alleges that its cube is superior to the copies, and that continued association of its own with the defendant's cube will destroy the good will and source-significance which Ideal has built up with its advertising. "Where there is, then, such high probability of confusion, injury irreparable in the sense that it may not be fully compensable in damages almost inevitably follows." *Omega Importing Corp. v. Petri-Kine Camera Corp.*, 451 F.2d 1190, 1195, 171 USPQ 769, 772-773 (2d Cir. 1971). An infringer rarely makes the same profits as the infringed manufacturer, and these profits are often difficult to determine. It is also very difficult to prove sales lost to infringement. *Id.*

[11] In the present case there is a certainty of confusion, and this is sufficient harm to Ideal to support a preliminary injunction. The relative equities balance in favor of Ideal. Defendant contends that Ideal should not be granted protection which it was unable to secure through the patent and copyright laws, and that the injunction would cause defendant to discontinue this whole product line, while with no injunction Ideal would lose merely a small part of its profits to the defendant. Both arguments are specious. There is no question of preemption in this field. *SK&f, Co. v. Premo Pharmaceutical Lab. Inc.*, 625 F.2d 1055, 206 USPQ 964 (3d Cir. 1980). The failure to acquire patent or copyright protection does not preclude the relief sought herein. The claim as to relative monetary losses ignores the fact that any profits made by defendant are in all likelihood due to the extensive advertising of Ideal, and the confusion caused by the similarity of defendant's product to that of Ideal. Further, defendant does not contend that this product line is its sole source of profits. The injunction would not affect any other portion of defendant's business.

[12] Defendant also persists in arguing that injunctive relief should be denied, because defendant is only one of many selling puzzles which are identical to that of plaintiff. The necessity of fighting this war on many fronts does not require that plaintiff surrender in this battle with defendant. Certainly defendant who is selling a product which intentionally

confuses the public, should not be able to avoid the imposition of injunctive relief with the too often heard plea that everyone is doing it.

Plaintiff's motion for a preliminary injunction is GRANTED. Counsel for plaintiff shall submit an order to the court.

Sonya **JASON**, an individual, Plaintiff, v. Jane **FONDA**, an individual; Bruce Gilbert, an individual; Jerome Hellman, an individual; JPL Productions, Inc., a corporation; United Artists Corporation, a corporation; National Broadcasting Company, Inc., a corporation; Nancy Dowd, an individual; Robert C. Jones, an individual; Waldo Salt, an individual, Defendants

No. CV 79-4723-RJK (Kx)

(United States District Court, C. D. California—September 21, 1981)

526 F.Supp. 774. 217 USPQ 231

[See also 696 F.2d 1003 (9th Cir.—*Affirmed without published opinion*, Dec. 1, 1982); 698 F.2d 966, 217 USPQ 406, 46 C.O.Bull. 651 (9th Cir.—*Affirmed*, Dec. 1, 1982)]

Copyright infringement action was brought by the author of a book against the producers and broadcasters of a motion picture. Joined to the copyright infringement claim were pendant claims of unfair competition, misappropriation, and implied contract. The motion picture producers and broadcasters moved for summary judgement. The District Court, Kelleher, J., held that: (1) where, although allegedly infringed book and allegedly infringing motion picture dealt generally with subjects such as morality and effects of war on women, injured veterans and soldiers, substantial differences between ideas were developed, motion picture was, as matter of law, substantially dissimilar to book and infringement action would be dismissed, and (2) where copyright infringement claim was dismissed prior to trial, pendant state law claims for unfair competition, misappropriation, and implied contract would also be dismissed.

Motion granted.

1. Copyrights and Intellectual Property

Under copyright infringement law, plaintiffs may establish copying by showing circumstantial evidence of access to protected work and substantial similarity of ideas and expression between copyrighted work and allegedly infringing work.

2. Copyrights and Intellectual Property

In copyright infringement case, undisputed claim that between 200 and 700 copies of allegedly infringed book were available in bookstores created no more than bare possibility

that motion picture producers and screenplay writers may have had access to the book and, in and of itself, was insufficient to create genuine issue of fact whether book had been copied.

3. Copyrights and Intellectual Property

In copyright infringement cases, district court may analyze similarity of ideas and expressions according to two-step process; first step is determination of whether there is substantial similarity in ideas used in competing works and second step is determination of whether there is substantial similarity between forms of expression present in each work.

4. Copyrights and Intellectual Property

In copyright infringement case, determination of whether there is substantial similarity of ideas between competing works is question which may often be decided as matter of law.

5. Copyrights and Intellectual Property

Substantial similarity in copyright infringement actions is question of fact uniquely suited for determination by trier of fact; however, summary judgement is proper when court determines that similarity between works is insubstantial as matter of law.

6. Copyrights and Intellectual Property

Where, although allegedly infringed book and allegedly infringing motion picture dealt generally with subjects such as morality and effects of war on women, injured veterans and soldiers, substantial differences between works and use of contexts, characters, and language through which ideas were developed, motion picture was, as matter of law, substantially dissimilar to book and copyright infringement action would be dismissed.

7. Federal Courts

Although court has subject-matter jurisdiction of unfair competition claim when it is joined with substantial and related claim under copyright laws, in exercise of its discretion court may dismiss pendent claim when federal claim is dismissed prior to trial. 28 U.S.C.A. § 1338(b).

8. Federal Courts

Where copyright infringement claim was dismissed prior to trial, pendent state law claims for unfair competition, misappropriation, and implied contract would also be dismissed. 28 U.S.C.A. § 1338(b).

Sonya Jason, in pro. per.

Silverberg, Rosen, Leon & Behr, Ronald S. Rosen and Robert M. Nau, Los Angeles, Cal., for defendants.

MEMORANDUM OF DECISION AND ORDER

KELLEHER, District Judge. This is an action for copyright infringement, unfair competition, misappropriation, and implied contract, brought by plaintiff Sonya Jason against the producers and broadcasters of the motion picture "Coming Home." The action was filed on December 6, 1979. Defendants are Jane Fonda, Bruce Gilbert, Jerome Hellman, Jerome Hellman Enterprises, Nancy Dowd, Robert C. Jones, Waldo Salt, United Artists Corporation, and National Broadcasting Company. Plaintiff claims that defendants infringed her copyright in a book entitled

"Concomitant Soldier—Woman and War" (hereinafter "Concomitant Soldier") by producing, exhibiting and broadcasting over network television the theatrical motion picture entitled "Coming Home." Plaintiff's other three claims are pendent state law claims.

On May 11, 1981, defendants brought this motion for summary judgment on the grounds that as a matter of law plaintiff could not establish that defendants had access to the allegedly infringed book nor that the motion picture "Coming Home" was substantially similar to her book. Plaintiff opposed defendants' motion and defendants thereafter filed a reply memorandum. Plaintiff first argued that defendants' summary judgment motion was premature in that plaintiff sought further discovery that might assist her in opposing the motion. However, in the four months that have passed between the filing of defendants' motion and today's disposition, plaintiff neither sought additional discovery nor submitted additional support for her position. Indeed, defendants argue in their reply brief, and plaintiff does not suggest otherwise, that plaintiff's discovery is now complete. Therefore, the Court now is prepared to rule on the merits of defendants' summary judgment motion. The Court has taken great care in reading the competing works, the parties' memoranda of points and authorities, and supporting exhibits and affidavits, and thus is fully informed.

[1] For the purpose of their summary judgment motion, defendants do not contest plaintiff's ownership of a copyright in her book "Concomitant Soldier." Therefore, the only contested element of plaintiff's case is her allegation that defendants "copied" her work. A plaintiff may establish copying by showing (1) circumstantial evidence of access to the protected work and (2) substantial similarity of "ideas" and "expression" between the copyrighted work and the allegedly infringing work. *Sid & Marty Krofft Television Productions, Inc. v. McDonald's Corp.*, 562 F.2d 1157, 1162 (9th Cir. 1977).

1. Access

[2] Plaintiff fails completely to put in issue her allegation that the defendants had access to her book at any time prior to this lawsuit. Whether "access" be defined as the actual reading or knowledge of plaintiff's work by the defendants, *see Bradbury v. Columbia Broadcasting System, Inc.*, 287 F.2d 478, 479 (9th Cir. 1961), or as a "reasonable opportunity to view" the plaintiff's work, *Sid & Marty Krofft Television v. McDonald's Corp.*, 562 F.2d 1157 (9th Cir. 1977), plaintiff has not controverted the explicit denial by each defendant that they had never heard of her book prior to the lawsuit. Indeed, all of the material facts relevant to the issue of access are undisputed. They are as follows. Defendants Fonda and Gilbert originally conceived of the idea for a film about Vietnam in the late sixties

and early seventies following their tour of several military bases. Nancy Dowd began to write a screenplay for such a film in late 1972. Near the end of 1973, Dowd submitted her draft of the screenplay to Fonda and Gilbert, after which time she ceased to participate in the production of the film. Thereafter, Fonda and Gilbert hired Waldo Salt and Robert Jones to revise Dowd's screenplay. In January of 1977, filming for the motion picture began. It was released in February of 1978 through United Artists. Finally, in 1979, NBC broadcast "Coming Home" over its television network.

Plaintiff Jason testified at her deposition that she wrote "Concomitant Soldier" over a span of 20 years. Jason financed the first printing of her book in April, 1974. The first printing consisted of approximately 1,100 copies. About half of these copies were sold by a representative in the New Jersey area. Another 100 or so copies were sold through Jason's church. Some 150 to 200 copies were defective and never sold. The remainder, claimed by plaintiff to consist of between 200 and 700 copies, were sold through Southern California booksellers. In December of 1977, several months *after* principal photography for the film had been completed, Jason submitted her book to Marcia Nasatir, an employee of United Artists. United Artists returned her book. Jason also claims to have submitted her book to NBC employees Rolf Gompertz and Mike Brockman. However, there is absolutely no evidence that NBC participated in any way in the production of "Coming Home."

Finally, Jason claims that Nancy Dowd, the original author of the movie screenplay, may have received a copy of her book from Jack Neumann of Paramount Pictures. In her deposition Jason asserts that she gave a copy of her book to Frank Capka in June, 1974, that Capka said he gave the copy to Neumann, and that Neumann allegedly told Capka that he give it to Dowd. Not only does the timing of these alleged events *follow* the date on which Dowd completed her work on the screenplay, but Jason's assertion is multiple hearsay and could not be considered as admissible evidence. In sum, there is not one shred of evidence that any of the defendants who were involved in producing "Coming Home" had access to Jason's book during production except for plaintiff's undisputed claim that between 200 and 700 copies were available through various Southern California bookstores. That level of availability creates no more than a "bare possibility" that defendants may have had access to plaintiff's book. In and of itself, such a bare possibility is insufficient to create a genuine issue of whether defendant copied plaintiff's book. *See, e.g., Ferguson v. National Broadcasting Co.*, 587 F.2d 111, 113 (5th Cir. 1978).

2. Substantial Similarity

[3,4] Even assuming defendants had access to plaintiff's work, to prove copying by defendants plaintiff also must demonstrate that there is a

substantial similarity, both of ideas and of the expression of ideas, between the copyrighted work and the allegedly infringing work. Under Ninth Circuit law, the district court may analyze similarity of idea and expression according to a two-step process. *Sid & Marty Krofft Television Productions, Inc. v. Mc Donald's Corp.*, 562 F.2d 1157, 1162-65 (9th Cir. 1977). The first step is the determination of whether there is a substantial similarity in the *ideas* used in the competing works. According to the *Krofft* court, this step is an "extrinsic test" because "it depends not on the responses of the trier of fact, but on specific criteria which can be listed and analyzed." *Id.* at 1164. The criteria in this case might include such characteristics of a written work as plot, themes, dialogue, mood, setting, pace and sequence. Since the extrinsic test focuses on a comparison of these abstracted criteria, "analytic dissection and expert testimony are appropriate." *Id.* Finally, the determination of whether there is substantial similarity of *ideas* is a question which "may often be decided as a matter of law." *Id.*

The second step is the determination of whether there is substantial similarity between the *forms of expression* present in each work. Where there is substantial similarity in ideas between the works, the trier of fact must decide whether the authors' expression of the ideas is substantially similar. This step of the analysis is labelled the "intrinsic test" because it depends on "the response of the ordinary reasonable person." *Id.*

[5] Substantial similarity in copyright infringement actions is a question of fact uniquely suited for determination by the trier of fact. *Walker v. University Books, Inc.*, 602 F.2d 859, 864 (9th Cir. 1979). However, summary judgment is proper when the Court determines that the similarity between works is insubstantial as a matter of law. 3 Nimmer, *The Law of Copyright*, § 12.10, 12-63 (1979). In other words, the Court may grant summary judgment if it determines that no reasonable trier of fact could find that the plaintiff has satisfied both of the *Krofft* tests.

[6] The allegedly infringed book, "Concomitant Soldier," and the "combined continuity" of the allegedly infringing motion picture "Coming Home" are before the Court, along with the parties' comparisons regarding the issue of "substantial similarity." The court has read these two works and finds the similarity between them insubstantial as a matter of law. Although both works deal generally with subjects such as morality and the effects of war on women, injured veterans and soldiers, these ideas are not protectable in and of themselves. 17 U.S.C. § 102(b); *see, e.g., Becker v. Loews*, 133 F.2d 889 (7th Cir. 1943), *Nichols v. Universal Pictures Corp.*, 45 F.2d 119, 121 (3d Cir. 1930). Indeed, they have been the subject of countless works dating back for centuries. There are, furthermore, substantial differences between the works in the use of contexts, characters, and language through which these ideas are developed. Moreover, although plaintiff claims that there are several particular

similarities between the works, these consist of the use of similar but unprotectable ideas, of commonly cited historical facts, of sequences which necessarily follow from a common theme (scenes a faire), or of other unprotectable characteristics. Thus, without exception, when analyzed as a entire work, the motion picture "Coming Home" is, as a matter of law, substantially dissimilar to plaintiff's book when tested under either of the *Krofft* tests. Accordingly, defendants' motion for summary judgment is hereby granted and plaintiff's claim for copyright infringement is dismissed with prejudice.

[7.8] Although the Court has subject matter jurisdiction of an unfair competition claim when it is joined with a substantial and related claim under the copyright laws, 28 U.S.C § 1338(b), in the exercise of its discretion, the Court may dismiss the pendent claim when the federal claim is dismissed prior to trial. *Wham-O-Mfg. Co. v. Paradise Mfg. Co.*, 327 F.2d 748, 753 (9th Cir. 1964). Accordingly, defendants' motion to dismiss plaintiff's pendent claims for unfair competition, misappropriation, and implied contract, is GRANTED.

KAMAKAZI MUSIC CORP., Barry Manilow and Warner Bros. Publications, Inc., Plaintiffs, v. **ROBBINS MUSIC CORPORATION** and Vicks Lithograph, Inc., Defendants

No. 80 Civ. 2877 (RWS)

(United States District Court, S. D. New York — August 3, 1981)

522 F.Supp. 125. 214 USPQ 149

[See also 209 USPQ 223, 44 C.O.Bull. 533 (S.D.N.Y., June 5, 1980); 534 F.Supp. 57, 217 USPQ 51, and *infra* (S.D.N.Y., Sept. 15, 1981); 534 F.Supp. 69, 217 USPQ 60, 46 C.O.Bull. 653 (S.D.N.Y., Jan. 29, 1982); 684 F.2d 228, 46 CO.Bull. 669 (2d Cir.—*Affirmed*, July 20, 1982)]

Corporation which was wholly owned by songwriter and recording artist brought action against music publisher seeking injunctive relief and damages for copyright infringement, interference with contractual rights and related violations of New York state law. Upon plaintiff's motion to confirm awards of an arbitrator and defendant's cross motion to vacate those awards, the District Court, Sweet, J., held that: (1) although dispute between parties to license agreement arose under Copyright Act, arbitrator was not precluded by public policy

considerations from determining copyright infringement claims where defendant agreed, by virtue of position it took before court prior to arbitration proceedings, to arbitrate the existing dispute, with known copyright infringement elements and where arbitration clause was broad enough to include the infringement claims made by plaintiff, and (2) arbitration award in favor of plaintiff could not be upset or confirmed until defendant music publisher was given an opportunity to present evidence in support of its challenge to validity of the copyrights; however, tortious interference with contract, which was based on same factual allegations as copyright infringement claims, was preempted under Copyright Act.

Order in accordance with opinion.

1. Arbitration

Various issues arising in a dispute involving a trademark, patent or copyright may be arbitrated with the exclusion of the validity of the federally protected interest itself.

2. Arbitration

Although dispute between parties to license agreement arose under Copyright Act, arbitrator was not precluded by public policy considerations from determining copyright infringement claims where defendant agreed, by virtue of position it took before court prior to arbitration proceedings, to arbitrate the existing dispute, with known copyright infringement elements and where arbitration clause was broad enough to include the infringement claims made by plaintiff. 17 U.S.C.A. § 504(c).

3. Copyrights and Intellectual Property

To establish claim for copyright infringement, a plaintiff must show ownership of valid copyright and copying by the defendant. 17 U.S.C.A § 101 et seq.

4. Copyrights and Intellectual Property

Royalty checks tendered by defendant music publisher and accepted by plaintiff corporation, which was solely owned by songwriter and recording artist, during pendency of arbitration did not operate as a confirmation of the license and thus a waiver of the copyright infringement claim.

5. Arbitration

Even if arbitrator violated commercial arbitration rules with regard to time of award of attorney fees, court lacked authority to overturn the award on that ground. 9 U.S.C.A § 10(c).

6. Arbitration

States

Arbitration award in favor of corporation wholly owned by songwriter and recording artist for copyright infringement could not be upset or confirmed until defendant music publisher was given an opportunity to present evidence in support of its challenge to validity of the copyrights; however, tortious interference with contract, which was based on same factual allegations as copyright infringement claims, was preempted under Copyright Act. 17 U.S.C.A. § 301.

Bender & Frankel, New York City, for plaintiffs; Sandor Frankel, New York City, of counsel.

Abeles, Clark & Osterberg, New York City, for defendant Robbins Music Corp., Robert C. Osterberg, New York City, of counsel.

Evans, Severn, Bankert & Peet, Utica, N. Y., for defendant Vicks Lithograph Corp.; Philip A. Rayhill, Utica, N. Y., of counsel.

OPINION

SWEET, *District Judge*. This is an action in which injunctive relief and damages were sought for copyright infringement, interference with contractual rights and related violations of state law. The plaintiff Kamakazi Music Corp. ("Kamakazi") has moved pursuant to 9 U.S.C. § 9 (1970) to confirm certain awards of an arbitrator, and defendant Robbins Music Corp. ("Robbins") has cross-moved to vacate those awards. Robbins also moves to dismiss the claim of Kamakazi and plaintiff Warner Brothers Publications, Inc. ("Warner") for tortious interference with contractual rights—the fifth cause of action of Kamakazi and Warner. The motion to confirm will be granted in part and denied in part in accordance with this opinion. Robbins' motion to vacate will be denied, and the motion to dismiss the tortious interference claim will be granted.

This arduous litigation arises out of Robbins' printing and selling of the compositions of plaintiff Barry Manilow ("Manilow"), a well-known songwriter and recording artist, in so-called personality folios and other formats allegedly in violation of copyrights owned by Kamakazi and in violation of the interests of Manilow and Warner. The fervor of the litigants is understandable in view of the large profits at stake in the high-volume commerce of popular music and of these copyrights in particular. Manilow is the sole stockholder in Kamakazi. Kamakazi, a New York corporation, apparently is the duly registered owner of the copyrights in musical compositions written in whole or in part by Manilow, who receives percentage royalties from Kamakazi based on sales or license fees. In November, 1976 Kamakazi and Robbins entered into a written license agreement (the "Agreement") with respect to the publication of certain Manilow compositions by Robbins, which provided that Robbins would have the exclusive right to publish and sell those compositions in various forms, including personality folios—printed publications which feature musical compositions by a particular artist, in this case, Manilow. After the alleged expiration of the Agreement, plaintiff Warner was secured by Kamakazi to produce and sell its Manilow compositions and this dispute arose.

Plaintiffs alleged that by the terms of the Agreement, Robbins' right to print and manufacture copies of the compositions in the form of Manilow personality folios would "immediately cease" on December 31, 1979, and, given appropriate notice by Robbins, the right to sell off these folios would continue until July 31, 1980. Robbins alleged that pursuant to paragraph 6 of the Agreement, it had the right to print and manufacture the personality folios until December 31, 1980, and to sell off these folios thereafter. Defendant Vicks Lithograph, Inc., has been printing the Manilow material for Robbins, and presumably was brought into this ac-

tion by Kamakazi only to enhance the effectiveness of the injunctive relief sought in the complaint.¹

The complaint was filed on May 19, 1980. Three days later Kamakazi first sought the intercession of the court, seeking a preliminary injunction to bar Robbins from manufacturing and selling copies of the personality folios during the pendency of the action. Robbins cross-moved for dismissal for lack of jurisdiction or alternatively, pursuant to 9 U.S.C § 3, for a stay of all further proceedings pending arbitration, as provided for in the Agreement.² A hearing was held and by opinion dated June 5, 1980, the court concluded that the action arose under the copyright laws, and so denied Robbins' motion to dismiss for lack of jurisdiction, but granted Robbins' alternative motion to stay proceedings pending arbitration. Kamakazi's motion for preliminary injunction was denied because of the court's concern that any determination as to the merits of the complaint, a prerequisite to the granting of such relief, would threaten the independence of the arbitral process. The parties were ordered to proceed forthwith to arbitration where, it was anticipated, injunctive relief as well as damages could be granted.

Kamakazi immediately thereafter filed a demand for arbitration and, following some initial difficulties which caused Kamakazi to seek recon-

¹The complaint alleges several causes of action on behalf of all three plaintiffs against Robbins. The first through fourth causes of action of Kamakazi and Manilow seek damages and an injunction against the manufacture, sale and possession of the alleged infringing compositions. The first through seventh causes of action of Manilow seek damages for violation of New York Civil Rights Law § 51. The first through fourth causes of action of Warner allege the same injury — infringements — and seek the same relief as the first and fourth causes of action of Kamakazi and Manilow. The fifth cause of action of Kamakazi and Warner seeks damages for Robbins' alleged interference with contractual relations. The sixth cause of action of Kamakazi and Warner and the eighth cause of action of Manilow seek punitive damages.

What is delineated as a separate cause of action of all three plaintiffs which alleges that Vicks had been notified of plaintiffs' claim to the copyrights, prays for all the same relief as is granted against Robbins.

In this opinion Kamakazi is referred to as a shorthand for the plaintiffs. This is essentially because the only parties to the arbitration were Kamakazi and Robbins. Similarly, only Robbins is referred to throughout the opinion as a defendant.

²The Arbitration Clause, paragraph 20 of the Agreement, provides in pertinent part:

[A]ny controversy or claim arising out of, or relating to this agreement or the subject matter thereof, or the breach hereof shall be settled by arbitration in the City of New York in accordance with the rules then obtaining of the American Arbitration Association, and judgment upon the award rendered may be entered in any Court having jurisdiction thereof.

sideration of the court's denial of its motion for preliminary injunction,³ the arbitration went forward. During the course of those proceedings, in November, 1980, Kamakazi once again returned to this court seeking a preliminary injunction, on the basis of certain internal memoranda produced by Robbins in the arbitration which, Kamakazi alleged, evidenced the correctness of Kamakazi's position on the merits of the disputes over the interpretation of the Agreement and Robbin's awareness that its printing and sales of personality folios in 1980 violated the Agreement. For reasons similar to those behind the court's denial of Kamakazi's original application for injunctive relief, this motion was denied by opinion of December 1, 1980.

Upon a record compiled over some eight months of litigation before the American Arbitration Association ("AAA"), appearing in over 2,000 pages of transcript, the arbitrator rendered a decision on March 6, 1981 (the "March Award"), which is set out in full as Appendix A to this opinion. In essence, the arbitrator vindicated Kamakazi's interpretation of the Agreement and the rights of Robbins upon its termination, concluding that Robbins' printing and sale of Manilow personality folios as well as individual sheet music and individual editions after December 31, 1979 was without license and therefore constituted copyright infringements. Robbins' activities were found to have infringed twenty five separate copyrights of Kamakazi's comprising twelve individual works of Manilow and thirteen so-called compilations or derivative works.⁴ Robbins' printing and sale of mixed folios was found to be under license. Acting upon

³On June 9, 1980, upon oral application, Kamakazi sought such reconsideration alleging, most significantly, that Robbins was disrupting the commencement of arbitration by failing to approve an arbitrator and by a threat to apply in state court for a restraint against the arbitrator's affording preliminary injunctive relief in this dispute. By order of June 11, this court granted the motion to the extent of indicating its willingness to entertain a renewed motion for a determination on the merits with respect to the application for a preliminary injunction unless Robbins commenced participation in the arbitration on the merits by June 16.

Also on June 11, Robbins apparently obtained ex parte in Supreme Court, New York County, a temporary restraint against the arbitrator's granting preliminary injunctive relief to Kamakazi. This restraint apparently remained in effect until December 22, 1980, when the state court denied Robbins' motion for a preliminary injunction.

⁴A "compilation" is a work formed by the collection and assembling of preexisting materials or of data that are selected, coordinated, or arranged in such a way that the resulting work as a whole constitutes an original work of authorship. The term "compilation" includes collective works.

A "derivative work" is a work based upon one or more preexisting works, such as a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgment, condensation, or any other form in which a work may be recast, transformed, or adapted. A work consisting of editorial revisions, annotations, elaborations, or other modifications which, as a whole, represent an original work of authorship, is a "derivative work."

17 U.S.C. § 101.

Kamakazi's election of statutory "in lieu" damages under the Copyright Act, 17 U.S.C. § 504(c), the arbitrator found that the Robbins infringements were "willful," and concluded that a "just" recovery for Kamakazi would be \$10,000 for all of the multiple infringements of each copyright,⁵ for a total of \$250,000, plus costs and reasonable attorney's fees pursuant to 17 U.S.C. § 505. Kamakazi was awarded \$250,000 damages in accordance with the foregoing findings, as well as appropriate permanent injunctive relief. Robbins was taxed costs and fees. Robbins' counterclaim, alleging damages to its exclusive selloff rights under the Agreement, was dismissed. The award of attorney's fees was postponed pending receipt of an affidavit of legal services. On April 7, 1981, in a supplemental award of the arbitrator (the "April Award"), set forth as Appendix B to this opinion, Robbins was assessed \$50,127.72 in legal fees, to be divided between present and previous counsel for Kamakazi.

The instant motions, respectively to confirm and to vacate the awards, and Robbins' motion to dismiss the interference with contract cause of Kamakazi and Warner, followed.⁶ Standing alone, Kamakazi's motion to confirm the awards of course requires little discussion, as pursuant to 9 U.S.C. § 9 such an order is routinely granted in the absence of a cross-motion to vacate or modify. It is Robbins' broadside assault on the March and April Awards (collectively the "Awards"), pursuant to 9 U.S.C. § 10, which has required this opinion.

Capsulized, Robbins' position is that pursuant to this court's opinion of June 5, 1980 and the arbitration clause of the Agreement, the arbitrator was given, and accepted, jurisdiction to determine whether or not Robbins' publication and sale of the Manilow compositions in various forms was under license—a matter of interpretation of the Agreement between it and Kamakazi. This, it is submitted, simply involves the application of principles of contract law and, if need be, consideration of evidence as to damages—all under the law of New York. In springing from his interpretation (essentially favorable to Kamakazi) of the Agreement, to the application of the federal copyright laws to find willful infringements (after presuming the validity of the allegedly infringed copyrights) and to the award of statutory damages and attorney's fees, Robbins asserts, the

⁵Under the copyright law, the copyright owner may elect at any time before final judgment is rendered, instead of actual damages and profits, an award of statutory damages for all infringements involved in the action with respect to any one work, up to \$10,000 as the court considers just. 17 U.S.C. § 504(c)(1).

Where infringements are found to have been committed willfully, the award as to each work can be increased to \$50,000. *Id.* § 504(c)(2).

⁶Additionally, Robbins filed its answer on May 12, 1981, and an amended answer on June 1. The answer denies all the operative allegations and raises several defenses. The amended answer is identical in all respects with the exception of the addition of four unrelated counterclaims against Warner, which are the subject of a pending motion to dismiss or sever.

arbitrator exceeded his jurisdiction, violated public policy, and manifestly disregarded the law. Thus, it is argued, pursuant to 9 U.S.C. § 10(d) and the case law, the awards must be vacated.⁷ See e.g., *Perma-Line Corp. of America v. Sign Pictorial*, 639 F.2d 890, 895 (2d Cir. 1981); *Sobel v. Hertz, Warner & Co.*, 469 F.2d 1211 (2d Cir. 1972).

Kamakazi, in turn, asserts that the arbitrator acted properly under the circumstances and the law to resolve the entire dispute between it and Robbins which was before him. In this regard Kamakazi presses that it was Robbins which successfully urged over Kamakazi's objection, that the dispute be relegated to arbitration; that, contrary to Robbins' professed view, the nature and scope of the arbitration proceedings was made clear from the outset, when Kamakazi, in its demand for arbitration, characterized the dispute being submitted as "violations by Robbins Music Corporation of copyrights owned by Kamakazi Music Corp." and constantly thereafter; and that it was Robbins, again over Kamakazi's objection, which prevailed in its insistence that the issue of damages—which ultimately occupied a major part of the proceedings—be heard by the arbitrator. Thus, it is asserted, Robbins "jockeyed" the dispute into the forum of its choice, employed various procedural devices and delaying tactics to draw out the arbitration unduly, all the while taking a position with respect to the Agreement which it knew to be meritless, and, having successfully impeded Kamakazi's efforts to obtain preliminary injunctive relief in federal and state court (*see* note 3, *supra*), used that time to continue earning large profits by its allegedly infringing activities. It is suggested by Kamakazi that Robbins got everything it sought before and during arbitration except for a favorable result.

On the entire record before the court, which includes only small segments of the arbitration transcript attached as exhibits to the parties' instant motion papers, Kamakazi's review of events appears to have merit. I conclude as well that Kamakazi's position is basically supported by the law, although the import of actions and positions taken and the conclusions reached at various points in this litigation by the parties, this court and the arbitrator is not as simple as Kamakazi would have it. What presents itself is a web sufficiently tangled to require that certain further steps be taken before the awards as a whole can be confirmed.

The two overriding principles which are posed in this action apparently conflict. First, there is a strong federal policy in favor of the settlement of private disputes by consensual arbitration. This is expressed in several ways, including the mandatory language of 9 U.S.C. § 3 providing for stay of federal court proceedings and referral to arbitration of issues or actions

⁷9 U.S.C. § 10(d) provides that an award may be vacated:

Where the arbitrators exceeded their power, or so imperfectly executed them that a mutual, final, and definite award upon the subject matter was not made.

covered by arbitration agreement, the reluctance of federal courts to question the alleged errors of fact or law if the findings and conclusions of the arbitrator are "barely colorable," *Andros Compania Maritima v. Marc Rich & Co., A.G.*, 579 F.2d 691, 704 (2d Cir. 1978); *Sobel v. Hertz, Warner & Co.*, *supra*; *Refino v. Feuer Transp. Co., Inc.*, 480 F. Supp. 562, 565 & n.3 (S.D.N.Y.1979), *aff'd mem.* 633 F.2d 205 (2d Cir. 1980), and the extremely narrow reading given to the Arbitration Act's authorization to vacate awards where the arbitrator exceeded his powers, *see John T. Brady & Co. v. Form-Eze Systems, Inc.*, 623 F.2d 261, 264 (2d Cir.), *cert. denied*, 101 S.Ct. 786, 101 S.Ct. 786, 66 L.Ed.2d 605 (1980); *see generally National Bulk Carriers v. Princess Management*, 597 F.2d 819, 825 (2d Cir. 1979); *Erving v. Virginia Squires Basketball Club*, 468 F.2d 1064, 1067-68 (2d Cir. 1972).

On the other hand, actions arising under certain federal statutes which provide for exclusive federal court jurisdiction, including antitrust, securities and patent, even if between private parties, are considered to be of public concern, and thus, as a matter of public policy, generally have been held to be not justiciable in state court, or referable to arbitration notwithstanding an agreement between the parties to arbitrate. *Wilko v. Swan*, 346 U.S. 427, 74 S.Ct. 182, 98 L.Ed. 168 (1957) (securities laws); *Safety Equipment Corp. v. J. P. McGuire & Co.*, 391 F.2d 821 (2d Cir. 1968) (antitrust laws); *Foster Wheeler Corp. v. Babcock & Wilcox Co.*, 440 F.Supp. 897, 901 (S.D.N.Y.1977) (patent validity); *Diematic Mfg. Corp. v. Packaging Investors, Inc.*, 381 F.Supp. 1057 (S.D.N.Y.1974), *appeal dismissed*, 516 F.2d 975 (2d Cir.), *cert. denied*, 423 U.S. 913, 96 S.Ct. 217, 46 L.Ed.2d 141 (1975) (patent infringement and validity); *see generally Horne v. New England Patriots Football Club, Inc.*, 489 F.Supp. 465 (D.Mass.1980); *Lawson Fabrics, Inc. v. Aksona, Inc.*, 355 F.Supp. 1146, 1149 (S.D.N.Y.), *aff'd mem.* 486 F.2d 1394 (2d Cir. 1973); 4 R. Callman, *The Law of Unfair Competition*, § 87.1 at 3, n. 1 (3d ed. 1940 and Supp. 1978). While no copyright case directly stating this proposition has been presented to the court or discovered, the patent cases cited above are useful authority for applicability in the related field of copyright. *See Newman v. Crowell*, 205 U.S.P.Q. 517, 519 (S.D.N.Y. 1979); *Stepdesign, Inc. v. Research Media, Inc.*, 442 F.Supp. 32 (S.D.N.Y.1977).

At least as far as patent and copyright law are concerned, often, as here, it is not clear whether an action—typically involving a license agreement and possible infringement or royalties due—"arises under" the relevant statute or is essentially a contract dispute which "involves" a patent or copyright. *T. B. Harms Co. v. Eliscu*, 339 F.2d 823 (2d Cir. 1964), *cert. denied*, 381 U.S. 915, 85 S.Ct. 1534, 14 L.Ed.2d 435 (1965); *Stepdesign v. Research Media, Inc.*, *supra*; *Muse v. Mellin*, 212 F.Supp. 315, 317 (S.D.N.Y.1962), *aff'd*, 339 F.2d 888 (2d Cir. 1964). Both the formal allegations and the substance of the complaint are considered. *Newman v.*

Crowell, supra, at 519; *Diematic, supra*, at 1060–61. In this court's opinion of June 5, 1980, it was determined that this action arises under the copyright law, in that the complaint is directed against an offending use, and refers to the license agreement only by way of anticipatory replication. See *T. B. Harms Co. v. Eliscu, supra*, 339 F.2d at 825; *Newman v. Crowell, supra*; *Harrington v. Mure*, 186 F.Supp. 655, 658 (S.D.N.Y.1960). Such a determination establishes the court's jurisdiction over the subject matter under 28 U.S.C. § 1338,⁸ as it did in this case, defeating Robbins' motion to dismiss, and also, traditionally, precludes arbitration of the dispute, since the subject matter of the dispute has been thus cast as belonging to the exclusive competence of the federal courts. See *Diematic, supra*, 381 F.Supp. at 1061; *Homewood Industries, Inc. v. Caldwell*, 179 U.S.P.Q. 701 (N.D.Ill.1973).

[1] However, notwithstanding the public policy concerns, arbitration clauses commonly are enforced in trademark, patent and copyright infringement cases, as was the arbitration claim in the Agreement in this case. Various issues arising in a dispute involving a trademark, patent or copyright may be arbitrated with the exclusion, perhaps, of the validity of the federally protected interest itself. *N.V. Maatschappij Voor Industriële Waarden v. A. O. Smith Corp.*, 532 F.2d 874, 876 (2d Cir. 1976); *Robin Products Co. v. Tomecek*, 465 F.2d 1193, 1196 (6th Cir. 1972); *Necchi Sewing Machine Sales Corp. v. Neechi, S. p. A.*, 369 F.2d 579, 582 (2d Cir. 1966); *Stepdesign v. Research Media, Inc., supra*; *Diematic, supra*; *Foster Wheeler, supra*, 440 F.Supp. at 901; *Saucy Susan Products, Inc. v. Allied Old English, Inc.* 200 F.Supp. 724, 728 (S.D.N.Y.1961) (Feinberg, J.); see Janicke and Borovoy, *Resolving Patent Disputes by Arbitration: An Alternative to Litigation*, 62 J. Pat. Off. Society 337, 355–58 (1980). Here, of course, the court previously has determined that this action arises under the Copyright Act. However, there appears to be no reason why the arbitrator, having been presented with the dispute over the Agreement, which was basic to this action, lacked the power, once he had interpreted the Agreement and concluded that certain of Robbins' activities with respect to Manilow compositions were without license, to find the infringements had occurred, and to assess damages and attorney's fees with reference to the Copyright Act. This is not a case in which the question of infringement must be decided as a prerequisite to the determination of the meaning of a contract. *E. g.*, *Diematic, supra*, 381 F.Supp. at 1061; *cf. Tart v. Walker*, 203 U.S.P.Q. 460, 462 (N.C.1978). Indeed, the opposite is true here, and no authority has been presented which, as a jurisdictional

⁸28 U.S.C § 1338 provides:

The direct courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trademarks. Such jurisdiction shall be exclusive of the courts of the states in patent, plant variety protection and copyright cases.

matter, would preclude the arbitrator from making the findings he did with reference to the Copyright Act, as an extension of his primary task in this case. *See Stepdesign, supra; Levin v. Ripple Twist Mills, Inc.*, 416 F.Supp. 876, 880-81 & n.10 (E.D.Pa.1976).

[2] While an arbitrator, even in this context, is commonly thought to lack jurisdiction to determine the validity of a copyright, *see N. V. Maatschappij, supra; Foster Wheeler Corp. v. Babcock & Wilcox Co.*, 440 F.Supp. 897, 901 (S.D.N.Y.1977); *but see Robin Products, supra*, here the arbitrator did not make the determination of validity. Indeed, the one of Robbins' objections to the conduct of the arbitration proceedings which is well taken is that the arbitrator apparently accepted into evidence certain certificates of registration as prima facie evidence of validity of the copyrights, a prerequisite to the establishment of infringement, *see Warner Bros., Inc. v. American Broadcasting Companies, Inc.*, 654 F.2d 204 at 208 (2d Cir. 1981); 17 U.S.C. §§ 411, 412, and then refused to hear rebuttal evidence on the issue of validity, *see Durham v. Tomy Corp.*, 630 F.2d 905, 908 (2d Cir. 1980).⁹

⁹ At one point in the proceedings, during the examination of Manilow, an objection by Kamakazi to a question by Robbins concerning Manilow's ownership of the copyrights provoked the following exchange:

THE ARBITRATOR: . . . I don't know what the relevance of the ownership of these copyrights is to our proceeding.

You derived your rights from Kamakazi and nobody has challenged those rights other than in this proceeding. So, does it matter to our proceeding whether they have it or not?

MR. OSTERBERG: Sure, it does. Because I think if he does not have the rights or if Kamakazi does not have the rights, it may be possible that we have a complete defense that we are free to print and sell all copies of all these compositions without any copyright obligation or license obligation.

THE ARBITRATOR: That's not the issue I am deciding in this arbitration. You may decide that in some other forum, that you have a right to publish freely, but the issues I am deciding are the rights pursuant to the Kamakazi/Robbins agreement.

Now, the Kamakazi/Robbins agreement says Kamakazi's giving you the right to publish so many documents, songs, for a period of time. The period of time, according to Kamakazi, expired; according to Robbins, did not expire.

During that period of time, did anyone seek to publish in violation of Robbins' rights? Did anyone claim of Robbins that it was publishing without a license, without a right? Other than those issues, it is irrelevant to my decision.

If you had a right outside the agreement, that's not the subject of this litigation, this tribunal.

MR. OSTERBERG: I respectfully submit it would be, because if, in fact, we had the right outside the agreement to do what the agreement purports to authorize, I think that they cannot possibly suffer any legal damage by a violation of the agreement.

The whole predicate for their claim under the agreement is based upon a claim that they have the exclusive rights and, therefore, if we don't have the rights under the agreement, we don't have anything. And if we have the rights outside of the agreement, they suffer no loss by our doing what we did.

MR. FRANKEL: There are several responses to that, if I may.

THE ARBITRATOR: Go ahead.

Nevertheless, Robbins claims, in effect, that the matter of interpreting the Agreement alone was presented to arbitration, *United Steelworkers of America v. Warrior & Gulf Navigation Co.*, 363 U.S. 574, 582, 80 S.Ct. 1347, 1352, 4 L.Ed.2d 1409 (1960); *Farkar Co. v. R. A. Hanson Disc, Ltd.*, 583 F.2d 68, 71 (2d Cir. 1978); *Lawson Fabrics, Inc. v. Aksona, Inc.*, *supra*, 355 F.Supp. at 1148, and that it was surprised to its prejudice by the awards which included determinations under the Copyright Act. I conclude that the arbitration clause¹⁰ is broad enough to include the infringement claims made by Kamakazi. *See id.*, at 1148–49. Furthermore, I

MR. FRANKEL: In the first place, under Title 17 of the United States Code, this certificate—each of these certificates is prima facie proof of the facts stated therein. And the facts stated therein include the ownership of the copyrights in Kamakazi Music Corp.

In the second place, to the extent that Mr. Osterberg seeks to challenge the facts stated therein, first of all, we think it is outside the scope of the arbitration; and, second of all, Mr. Manilow is not the appropriate vehicle to seek to challenge that.

If Mr. Osterberg is attempting to raise an issue under the copyright laws, the appropriate expert and the appropriate technical witness is someone other than Mr. Manilow. There is no foundation for thinking that Mr. Manilow is an expert with respect to the requirements of Title 17 or that he has technical knowledge of the manner in which his compositions from the time of their creation by him result in the filing of a copyright registration or a certificate of copyright registration with the Office of the Copyrights.

THE ARBITRATOR: I am going to sustain the objection to your question as to what he claims.

MR. OSTERBERG: May I be heard just a little further?

THE ARBITRATOR: Sure.

MR. OSTERBERG: We have in evidence in this proceeding Exhibit 63, which is a collection of copyright certificates.

Presumably, they were offered in evidence, received in evidence for the purposes of showing something; for purposes to show copyright ownership through the prima facie evidence of the certificates.

And I respectfully submit I should be entitled to inquire, at least to my satisfaction, as to whether that prima facie evidence is sufficient.

To the extent that it is not submitted for any purposes to establish copyright ownership, then I ask that they be stricken from the exhibit list and excluded from these proceedings.

It seems to me you can't cut both ways. They put them in evidence and say I can't inquire about them. If it is truly irrelevant, then I move at this time to have them excluded from the proceeding.

THE ARBITRATOR: Mr. Frankel?

MR. FRANKEL: Mr. Manilow is not here claiming anything. He is here because he has been ordered to be here to answer questions as to his knowledge of the relevant facts.

THE ARBITRATOR: Let's come back to the copyrights. Are they relevant or irrelevant?

MR. FRANKEL: The copyrights are relevant. And the certificates, prima facie, establish the ownership of the copyrights in Kamakazi Music Corp.

The question is whether Mr. Manilow claims particular legal consequences that flow from what was done with his compositions after he finished creating them. And that is the improper question; he is not claiming anything here. He is just answering questions as to his knowledge of the facts.

THE ARBITRATOR: Well, I will sustain the objection, in any event.

¹⁰See note 2, *supra*.

conclude that Robbins is estopped from this challenge to the awards. *Cavicchi v. Mohawk Mfg. Co.*, 34 F.Supp. 852 (S.D.N.Y.1940); see *Fallick v. Kehr*, 369 F.2d 899, 904 n.11 (2d Cir. 1966); *Vanderveer v. Erie Malleable Iron Co.*, 139 F.Supp. 340 (W.D.Pa.), *aff'd*, 238 F.2d 510 (3d Cir. 1956), *cert. denied*, 353 U.S. 937, 77 S.Ct. 815, 1 L.Ed.2d 760 (1957). Although Robbins did not prevail on its motion to dismiss, it was Robbins which, aware of the nature of Kamakazi's chief claim, argued successfully for a stay in favor of arbitration pursuant to the Agreement. On the record before the court, there is no basis for a conclusion that the arbitrator's invocation of the copyright law was contrary to the reasonable expectations of the parties. *Cf. John T. Brady & Co. v. Form-Eze Systems, Inc.*, *supra*, at 264.

In any event, the facts at bar support the conclusion that, beyond having been party to the Agreement containing the arbitration clause pertaining to all future disputes, Robbins agreed, by virtue of the position it took before this court last year, to arbitrate this *existing* dispute, with its known copyright infringement element. Thus any public policy concern about arbitrating such matters is vitiated. *Lawson Fabrics, supra*, at 1149-50; *cf. DeCosta v. CBS, Inc.*, 520 F.2d 499, 505 (1st Cir. 1975), *cert. denied*, 423 U.S. 1073, 96 S.Ct. 856, 47 L.Ed.2d 83 (1976); *Cobb v. Lewis*, 488 F.2d 41, 49 (5th Cir. 1971); *Coenen v. R. W. Presspich & Co.*, 453 F.2d 1209, 1213-1215 (2d Cir. 1972). *Compare Fischer v. New York Stock Exchange*, [1975-76 Transfer Binder] Fed. Sec.Law Rep. (CCH) ¶ 95,416, at 99,101-102 (S.D.N.Y.1976).

Both parties have provided the court with selected excerpts from the record consisting of their own submissions and remarks and the statements of the arbitrator—as well as this court's prior opinions—to support their arguments as to the nature of the proceedings, and the award which could be expected. Nothing conclusive emerges therefrom. Nor does the language of this court's pronouncements of June 5, June 11 and December 1, 1980 in this case clearly aid Robbins. Robbins' position as to the extent of the arbitrator's mandate, however, is untenable in light of the following excerpt appearing at pages 330-31 of the hearing transcript, relatively early on in the proceedings. The arbitrator there stated:

Mr. Frankel suggested that perhaps I might wish to use my discretion to defer consideration of damages between the parties in the hearing and permit Judge Sweet in the Federal proceeding to hear and award damages with respect to all parties including Barry Manilow and Warner Bros.

Mr. Frankel indicated that the testimony here would probably be duplicative of the testimony to be given in the Southern District case, and that perhaps in an effort to save time, I might consider not hearing the damage issue.

Mr. Osterberg raised the potential that he might argue in the Federal Court, Southern District case that the award of damages and the arbitration might limit Judge Sweet and that, therefore, he did not believe that the damage issue should be waived at this hearing.

After considering the arguments, I determined and expressed to Mr. Frankel my opinion that the arbitration between the two parties, which was referred to the American Arbitration Association pursuant to Judge Sweet's opinion, should be a total resolution of the claims and liabilities between the parties; that is, Kamakazi Music and Robbins Music, and that I was not prepared to exercise discretion, if I have any, to not hear the damage issues, and that I would hear testimony as to damages.

We had a continued discussion as to whether the arbitration should be bifurcated and liability first determined, and the parties agreed that they would try all the issues at once rather than spreading the case.

Robbins' intention in this regard is again expressed as a "Sixth Separate Defense" in Paragraph 40 of its answer filed in this court on May 12, 1981, repeated verbatim in the amended complaint filed on June 1:

Each of the alleged claims designated as a "CAUSE OF ACTION," is barred by the election of remedies set forth in the Arbitration Agreement, and the only relief available for the alleged wrongful acts is through a claim by KAMAKAZI MUSIC CORP. in arbitration for breach of contract governed by New York law.

[3] There is no apparent reason why Robbins could have precluded the court from consideration of statutory damages in this case had the arbitrator assigned contract damages, for regardless of how the action is labeled, infringement unmistakably was the injury to be addressed upon an interpretation of the Agreement favorable to Kamakazi. *Cf. Doll v. Libin*, 17 F.Supp. 546, 458 (D.Mont.1936). There was nothing surprising or improper about the arbitrator's so doing in these circumstances, upon Kamakazi's election of remedies. Indeed, there is nothing in the record before the court by way of response to Kamakazi's election or anything else, to indicate that at any time during the lengthy proceedings preceding the March Award Robbins raised an objection to the clearly expressed potential scope of the proceedings as far as infringement and the assessment of damages are concerned, which apparently differed substantially from its own view of the limitation of the proceeding. *Cf. Kurt Orban Co. v. Angeles Metal Systems*, 573 F.2d 739, 740-41 (2d Cir. 1978); *Sweeney v. Morganroth*, 451 F.Supp. 367 (S.D.N.Y.1978).

As the Court of Appeals recently repeated:

To establish a claim for copyright infringement, a plaintiff 'must show ownership of a valid copyright and copying by the defendant.' *Novelty Textile Mills, Inc. v. Joan Fabrics Corp.*, 558 F.2d 1090, 1092 (2d Cir. 1977).

Warner Bros., Inc. v. ABC, Inc., *supra*, at 208. Thus, assuming for the moment the validity which Kamakazi asserts, the infringements are, in effect, established since the only issue with respect to copying was whether or not Robbins' activities were under license. Robbins' weak challenge in that regard has run up against the very strict standard for vacating such findings of an arbitrator, and failed. Similarly, given the arbitrator's find-

ings that Robbins "was aware of the time limitation [with regard to personality folios, contained in the agreement], and [Kamakazi's] intention to rely thereon," that Robbins did not comply with the requirements for gaining further selloff rights, and that [Robbins] did sell [Kamakazi's] copyrighted works after December 31, 1979 without license," there is adequate basis for the finding of willfulness. See *Fallick v. Kerr, supra*, at 904. Robbins has suggested no reason why, given this foundation and all of the evidence in the arbitration record, an award of statutory in-lieu damages would be inappropriate, cf. *Lottie Joplin Thomas Trust v. Crown Publishers, Inc.*, 592 F.2d 651, 657 (2d Cir. 1979), or why the award of \$10,000 per infringement is unreasonable, no less subject to vacation.¹¹ Indeed, Robbins has raised no such challenge.

Beyond the arguments addressed to the arbitrator's lack of power and his disregard of the intentions of the parties as to the scope of arbitration, Robbins raises a number of challenges to the findings and conclusions which can be disposed of summarily.

[4] It is urged that a royalty check for \$11,581.03 tendered by Robbins and accepted by Kamakazi during the pendency of the arbitration covered the allegedly infringing uses and acted as a confirmation of the claim. The arbitrators specifically found that "[n]o waiver or accord and satisfaction occurred upon payment and receipt" of this check in November, 1980. There has been no sufficient showing either of fact or law for the court to disturb this finding of the arbitrator, presumably based on the full record, which is not now before me. Nor has a basis been provided to upset the arbitrator's findings with respect to the filing of written detailed inventories. (March Award, Findings F & I). *Orion Shipping & Trading Co., Inc. v. Eastern States Petroleum Corp.*, 312 F.2d 299, 300 (2d Cir.), cert. denied, 373 U.S. 949, 83 S.Ct. 1679, 10 L.Ed.2d 705 (1963); *MCT Shipping Corp. v. Sabet*, 497 F.Supp. 1078 (S.D.N.Y.1980); *Petroleum Transport, Ltd. v. Yacimientos Petroliferos Fiscales*, 419 F.Supp. 1233, 1235 (S.D.N.Y.1976), *aff'd*, 556 F.2d 558 (2d Cir. 1977).¹²

[5] Robbins objects to the procedure by which the award of attorney's fees was made. Initially, it is claimed that the arbitrator violated Section 40 of the Commercial Arbitration Rules of the AAA, by failing to file the Supplemental Award, the award of attorney's fees, within thirty days of the parties' post-hearing submissions. The fact is, of course, that following those submissions on February 12, 1981, the Award was issued on March 6, 1981, pursuant to which Kamakazi then filed its affidavit of legal services, and the Supplemental Award was issued on April 7. There is no

¹¹See note 5, *supra*.

¹²Indeed, Robbins' challenge appears to be specifically to the arbitrator's finding with respect to compliance with the requirements of written inventory and identification of mixed folio uses, for which, in any event, no infringement was found because of Kamakazi's acquiescence in Robbins' non-compliance. (March Award, Finding J).

showing that this timetable is violative of the AAA Rules. Even assuming a violation, the court is aware of no authority for overturning the award, presumably under 9 U.S.C. § 10(c),¹³ on this ground. Robbins claims further that the arbitrator's provision for and acceptance of the affidavit of legal services on the issue of attorney's fees in lieu of a hearing including cross-examination, which he previously indicated would be held on the issue,¹⁴ was another impropriety calling for vacation of the award, again, presumably, under 9 U.S.C. § 10(c). However, Robbins' citation to *Totem Marine Tug & Barge v. North American Towing, Inc.*, 607 F.2d 649, 652-53 (5th Cir. 1979) and AAA Rule 30, having to do with *ex parte* arbitration proceedings, is unpersuasive. The arbitrator here did not receive *ex parte* evidence on attorney's fees, and no authority has been presented

¹³9 U.S.C. § 10(c) provides that an award may be vacated:

Where the arbitrators were guilty of misconduct in refusing to postpone the hearing upon sufficient cause shown, or in refusing to hear evidence pertinent and material to the controversy; or of any other misbehavior by which the rights of any party have been prejudiced.

¹⁴Robbins is referring to the following exchange, appearing on pages 1816-1821 of the arbitration transcript:

MR. FRANKEL: I think it appropriate for you to know that the cost and attorney's fees for which we seek compensation in connection with this dispute are, in my view, extremely substantial and we are prepared to go ahead now, if you want. We are prepared to defer it, if you want. We stand at your bidding.

THE ARBITRATOR: I am inclined to defer it mainly because I think we ought to get to a point where this case should be decided as to liability in the main and I am wary of getting involved in the proof of costs and fees and a cross-examination thereof and running over to another session and delaying the decision that much further. I am going to be tied up all next week and I'm going away the following week so if we run over into another session, you are looking at the end of January. We can proceed now, if you like, I think it is the type of proof which can be done in a short amount of time, but perhaps a shorter amount of time once there has been a determination of an award in that regard. What I am saying is I can see a cross-examination being quite much more extensive if there is a possibility that it may or may not be awarded, whereas once an award of fees has been granted, the actual computation and testimony as to the expenditures I can see being much shorter and much shorter subject to cross-examination.

MR. FRANKEL: I am certainly willing to go along with that.

THE ARBITRATOR: Is that a problem for you, Mr. Osterberg, if we hold that off? You may want to put your evidence in of fees at that time, assuming you get an award.

MR. OSTERBERG: I urge upon you the reservation of determination on that issue because I do not believe that an award of attorneys' fees would be proper under the arbitration agreement.

THE ARBITRATOR: I have not made a determination.

MR. OSTERBERG: But that certainly would be one of the issues for you to determine.

THE ARBITRATOR: One of my reasons in deferring it is I recognize it to be an issue. And rather than dealing with perhaps questions of relevance, admissibility with respect to the evidence, I think a determination of whether a liability exists can be made first and then the damages later. So that unless you object or Mr. Frankel objects, I will hold that until a determination.

MR. OSTERBERG: Thank you.

to the effect that it is improper for an arbitrator to proceed as did the arbitrator here, regardless of prior indication that he would proceed otherwise. Robbins had ample opportunity in which to make any submissions in opposition to the merits of Kamakazi's affidavit of services, and apparently did not.¹⁵

On this record I do not conclude that the award of attorney's fees was impermissible or unreasonable, *e.g.* *United States v. ASCAP*, 466 F.2d 917 (2d Cir. 1972); *Marcy Lee Mfg. Co. v. Cortley Fabrics Co.*, 354 F.2d 42, 43 (2d Cir. 1965); *Samet & Wells, Inc. v. Shalom Toy Co., Inc.*, 429 F.Supp. 895, 904 (S.D.N.Y.1977), *aff'd mem.* 578 F.2d 1369 (2d Cir. 1978); nor, again, has Robbins raised such a claim.

[6] As recounted above, whether or not he had the power to do so under these circumstances, the arbitrator made no finding concerning the validity of the copyrights, a prerequisite to a finding of infringement. It thus remains for this court to pass on copyright validity before confirmation of the awards can be considered. I deem Kamakazi's submissions in this regard, including copies of copyright certificates of registration submitted as Exhibit 7 to its reply affidavit, a motion for summary judgment on the issue of validity. Although the challenge to validity thus far does not raise a genuine issue of material fact, since Robbins was cut off before the arbitrator on this issue,¹⁶ such a motion cannot be granted on the present record. Therefore, the parties are granted leave to make further submissions within ten (10) days on this issue and the court will hear further argument if it is requested at its regularly scheduled motion calendar. At the same time, the court will focus upon the discrepancy between the claim of Kamakazi, made both during and after arbitration, that forty five separate copyrights were infringed by Robbins, and the arbitrator's express finding (and the award based thereon) that twenty five copyrights had been infringed.

Other than on issue of the validity of the twenty five copyrights comprising, according to the arbitrator, "twelve individual works and thirteen compilations or derivative works," which were found to have been infringed,¹⁷ there is no basis upon which to upset or tamper with the awards.

The awards of the arbitrator are thus held in abeyance pending this court's determination of the issue of the validity of twenty five copyrights found to have been infringed.

¹⁵Following the March Award, Robbins did file a notice of objection to the assessment of attorneys' fees, based on jurisdictional grounds apparently rejected by the arbitrator, and rejected herein by this court; New York C.P.L.R. § 7513 (which provides for the assessment of expenses and fees by an arbitrator not including attorneys' fees); and "the ground that it would circumvent the right of cross-examination recognized by the arbitrator for deferring the receipt of such proof during the arbitration."

¹⁶See note 9, *supra*.

¹⁷Kamakazi has consistently maintained, both during and following the arbitration, that forty five separate copyrights were infringed by Robbins.

As to Robbins' motion to dismiss Kamakazi and Warner's fifth cause of action, notwithstanding the views of Professor Nimmer, 1 M. Nimmer, *The Law of Copyright*, § 1.01[B][1], at n.46 (ed.1979), I am persuaded by the careful analysis of Judge Owen in *Harper & Row, Publishers Inc. v. Nation Enterprises*, 501 F.Supp. 848, 852-54 (S.D.N.Y.1980), that the tortious interference with contract claim is based on the same factual allegations as the copyright infringement claims, that it does not afford plaintiffs rights "different in kind" from those protected by the copyright laws, and thus that is is preempted under the Copyright Act, 17 U.S.C. § 301. Accordingly, Robbins' motion to dismiss this cause of action is granted. Both sides' motions for counsel fees and costs on this motion are denied.

IT IS SO ORDERED.

APPENDIX A

I, THE UNDERSIGNED ARBITRATOR, having been designated in accordance with the Arbitration Agreement entered into by the above-named Parties, and dated November 15, 1976, and having been duly sworn and having duly heard the proofs and allegations of the Parties, FIND, as follows:

A. The written agreement, Exhibit "A" is ambiguous and therefore parol evidence may be relied upon to determine the entire agreement between KAMAKAZI MUSIC CORP., hereinafter referred to as CLAIMANT, and ROBBINS MUSIC CORPORATION, hereinafter referred to as RESPONDENT.

B. The term of the agreement expired on December 31, 1979.

C. CLAIMANT and RESPONDENT made a distinction in their agreement between personality folios and mixed folios and different terms were agreed to with respect to each.

D. The agreement between CLAIMANT and RESPONDENT permitted RESPONDENT to sell off all copies of the compositions of CLAIMANT in individual sheet music, individual editions and personality folios (folios featuring compositions of or associated with a particular musical personality) in RESPONDENT'S inventory as of December 31, 1979 which sell-off right would last until July 31, 1980 provided, however, a written detailed inventory of same was submitted within forty-five (45) days after December 31, 1979, i.e., February 14, 1980.

E. RESPONDENT was aware of the time limitation and CLAIMANT'S intention to rely thereon.

F. RESPONDENT did not submit the written detailed inventory by February 14, 1980 and therefore did not comply with the conditions of the agreement which would have permitted it the right to sell off its inventory of individual sheet music, individual editions and personality folios.

G. The agreement between CLAIMANT and RESPONDENT permitted RESPONDENT to manufacture and sell copies of the compositions of CLAIMANT in mixed folios (folios containing a collection of songs not associated with any particular artist or writer) previously manufactured and sold by RESPONDENT in the same form until December 31, 1980 and the right thereafter to sell off such

mixed folios on hand at December 31, 1980 until depletion provided that RESPONDENT advise CLAIMANT on or before January 1, 1980 of the mixed folios in which CLAIMANT'S compositions had been included.

H. The agreement between CLAIMANT and RESPONDENT permitted RESPONDENT to sell off mixed folios after July 31, 1981 only if RESPONDENT paid to CLAIMANT all royalties which would be payable on all copies of CLAIMANT'S compositions in RESPONDENT'S inventory as of July 31, 1981.

I. RESPONDENT did not advise the CLAIMANT of the mixed folios in which CLAIMANT'S compositions were included on or before January 1, 1980 and therefore did not comply with the conditions of the agreement which would have permitted it the right to manufacture and sell the mixed folios thereafter as aforementioned.

J. CLAIMANT acquiesced in the failure of RESPONDENT to advise CLAIMANT of the mixed folios by January 1, 1980 and CLAIMANT by such acquiescence and by express statement contained in its Post Trial Memorandum waived its right to damages by reason of RESPONDENT'S late advice.

K. The agreement between CLAIMANT and RESPONDENT requires RESPONDENT to provide CLAIMANT with all plates, negatives and artwork at RESPONDENT'S cost when the RESPONDENT'S manufacturing rights cease.

L. Any printing or publication of CLAIMANT'S copyrighted works whether individual sheet music, individual editions, or personality folios after December 31, 1979 was without license and constituted an infringement of CLAIMANT'S copyrights.

M. RESPONDENT did sell the CLAIMANT'S copyrighted works after December 31, 1979 without license, more particularly RESPONDENT sold copies of twelve individual works of CLAIMANT and thirteen compilations of CLAIMANT'S works.

N. CLAIMANT has elected to recover statutory damages for all infringements with respect to any one work pursuant to 17 USCS § 504(c).

O. RESPONDENT committed infringements subsequent to December 31, 1979 with respect to twenty-five works, said works being twelve individual works and thirteen compilations or derivative works as such are defined under 17 USCS § 101.

P. The infringements were committed willfully.

Q. No waiver or accord and satisfaction occurred upon the payment and receipt of a check of \$11,581.03 in November, 1980.

R. The Arbitrator finds the Counterclaim to be without merit.

S. The Arbitrator finds that the just amount which CLAIMANT should recover is \$10,000.00 for all infringements with respect to each work, for a total sum of \$250,000.00.

T. The Arbitrator finds that CLAIMANT should also recover its cost and reasonable attorney's fees.

THEREFORE, I AWARD as follows:

1. RESPONDENT shall pay to CLAIMANT the sum of TWO HUNDRED FIFTY THOUSAND DOLLARS (\$250,000.00).

2. In accordance with statute 17 USCS § 505, RESPONDENT shall pay to CLAIMANT an amount to be assessed as its reasonable attorney's fees. The Arbitrator retains jurisdiction on this issue for the purpose of assessing reasonable attorney's fees. CLAIMANT shall file an affidavit of services setting forth its fees with the Association within seven (7) days after receipt of this AWARD.

3. RESPONDENT is permanently enjoined from printing or selling at any time in the future any of CLAIMANT'S compositions except those included in mixed

folios (folios containing a collection of songs not associated with any particular artist) manufactured and sold by RESPONDENT before December 31, 1979, copies of which RESPONDENT may sell, but not print, until July 31, 1981 and copies of which RESPONDENT may sell thereafter in perpetuity provided RESPONDENT pays to CLAIMANT on or before July 31, 1981 all royalties that would be due on said copies if sold. With respect to any copies of mixed folios for which such advance royalties are not paid, on or before July 31, 1981, CLAIMANT shall have the right to purchase all or a portion thereof at RESPONDENT'S cost or in the alternative the right to require RESPONDENT to destroy all or a portion of said copies and receive an affidavit as to such destruction.

4. RESPONDENT is ordered to destroy any remaining copies of CLAIMANT'S compositions in its custody, possession or control except those contained in mixed folios as set forth above.

5. The counterclaim of RESPONDENT is denied.

6. RESPONDENT is ordered to provide CLAIMANT with all plates and artwork with respect to all publications of CLAIMANT'S compositions for which RESPONDENT shall be entitled to receive its cost of same.

7. The compensation of the Arbitrator totaling THREE THOUSAND SIX HUNDRED DOLLARS (\$3,600.00) shall be borne by RESPONDENT. Therefore, RESPONDENT shall pay to CLAIMANT the sum of ONE THOUSAND FIVE HUNDRED SEVENTY FIVE DOLLARS (\$1,575.00) for that portion of said compensation previously advanced by CLAIMANT to the Association and RESPONDENT shall pay to the American Arbitration Association the sum of FOUR HUNDRED FIFTY DOLLARS (\$450.00) for that portion of said compensation still due the Association.

8. The administrative fees and expenses of the American Arbitration Association totaling FOUR THOUSAND NINE HUNDRED THIRTEEN DOLLARS (\$4,913.00) shall be borne by RESPONDENT and postponement fees be borne by the Party requesting same. Therefore, RESPONDENT shall pay to CLAIMANT the sum of SIX HUNDRED DOLLARS (\$600.00) for that portion of said fees and expenses previously advanced by CLAIMANT to the Association and RESPONDENT shall pay to the American Arbitration Association the sum of TWO THOUSAND TWO HUNDRED THIRTEEN DOLLARS (\$2,213.00) for that portion of said fees and expenses still due the Association.

9. This AWARD is in full settlement of all claims and counterclaims submitted to this Arbitration except as provided in paragraph 2 above.

Howard W. Segal 3/6/81

APPENDIX B

I, THE UNDERSIGNED ARBITRATOR, having been designated in accordance with the Arbitration Agreement entered into by the above-named Parties, and dated November 15, 1976, and having been duly sworn and having previously rendered an AWARD dated March 6, 1981 in

which jurisdiction on the issue of attorneys' fees was retained hereby, AWARD, as follows:

1. ROBBINS MUSIC CORPORATION shall pay to KAMAKAZI MUSIC CORP. the sum of FIFTY THOUSAND ONE HUNDRED TWENTY SEVEN DOLLARS AND SEVENTY TWO CENTS (\$50,127.72), arrived at as follows:

a. Legal fees and disbursements due Bender & Frankel	\$ 43,902.72
b. Legal fees due Levine & Thall, P.C.	6,225.00
TOTAL:	\$ 50,127.72

2. This Supplemental AWARD is in full settlement of all claims over which jurisdiction had been retained.

Howard W. Segal 4/7/81

KAMAKAZI MUSIC CORP., Barry Manilow and Warner Bros. Publications, Inc., Plaintiffs, v. **ROBBINS MUSIC CORPORATION** and Vicks Lithograph, Inc., Defendants

No. 80 Civ. 2877 (RWS)

(United States District Court, S. D. New York—September 15, 1981)

534 F.Supp. 57. 217 USPQ 51

[See also 209 USPQ 223, 44 C.O.Bull. 533 (S.D.N.Y., June 5, 1980); 522 F.Supp. 125, 214 USPQ 149, and *supra* (S.D.N.Y., Aug. 3, 1981); 534 F.Supp. 69, 217 USPQ 60, 46 C.O.Bull. 653 (S.D.N.Y., Jan 29, 1982); 684 F.2d 228, 46 C.O.Bull. 669 (2d Cir.—*Affirmed*, July 20, 1982)]

In action for copyright infringement and on various motions including motion by plaintiff to confirm arbitrator's award, motion by another plaintiff to dismiss counterclaims and motions relating to plaintiff's motion for preliminary injunction, the District Court, Sweet, J., held that: (1) mere error in application or interpretation of law was insufficient ground upon which to vacate, so long as findings and conclusions of arbitrator were rational or barely colorable, there having been no manifest disregard of the law by arbitrator; (2) in view of evidence that reciprocal agreements are a common industry practice, and in view of acknowledgment of existence of separate reciprocal agreements, factual issues as to existence of agreement and its term precluded summary judgment despite merger clause stating that written agreements constituted entire agreement between parties, which could only be modified by agreement signed by the parties; (3) where music folios that were subject of prior claim and current counterclaim were different folios, indicating that prior claim and current

counterclaim arose from different transactions or occurrences, and where prior action had dealt with trademark infringements on cover of folio and injuries resulting therefrom, not with songs contained therein, while current action dealt solely with alleged copyright infringements, counterclaim was permissive rather than compulsory; (4) no separate trial for counterclaim was shown to be necessary; and (5) evidence as to sale of mixed folios of musical compositions failed to establish, for purposes of preliminary injunction, irreparable harm related to asserted impossibility of ascertaining money damages, and there was failure, also, to show that balance of hardships would weigh in plaintiff's favor.

Order in accordance with opinion.

1. Arbitration

Arbitrator committed error of law to extent that his assignment of specific infringements could be construed to cover entire personality folios, which were not covered by valid copyrights established or even claimed. 17 U.S.C.A. §§ 101 et seq., 103, 410(c), 411, 412, 504(c)(1).

2. Arbitration

Mere error in application or interpretation of law was insufficient ground upon which to vacate, so long as findings and conclusions of arbitrator were rational or barely colorable, there having been no manifest disregard of the law by arbitrator.

3. Federal Civil Procedure

Although there were no allegations of rescission in counterclaim, counterclaim was to be read in light of supporting affidavits claiming such rescission, and motion would be treated as one for summary judgment. Fed.Rules Civ.Proc. Rules 12(b)(6), 56, 56(c), 28 U.S.C.A.

4. Evidence

If there was full expression of agreement between parties, parol evidence rule prohibited parol evidence from varying or contradicting terms of agreement, and intent was to be derived from circumstances surrounding agreement.

5. Contracts

Merger clause, i.e., clause stating that written agreements constituted entire agreement between parties, which could only be modified by agreement signed by the parties, generally creates strong presumption of integration.

6. Federal Civil Procedure

In view of evidence that reciprocal agreements are a common industry practice, and in view of acknowledgment of existence of separate reciprocal agreements, factual issues as to existence of agreement and its term precluded summary judgment despite merger clause stating that written agreements constituted entire agreement between parties, which could only be modified by agreement signed by the parties.

7. Federal Civil Procedure

Although not expressly provided for, defense of compulsory counterclaim is properly raised under rule providing for dismissal for failure to state claim for relief, since availability of such defense appears in the plaintiff's pleadings. Fed.Rules Civ.Proc. Rules 12(b)(6), 13(a), 28 U.S.C.A.

8. Federal Civil Procedure

Definition of "transaction or occurrence" as used in rule requiring assertion of counterclaim if it arises out of transaction or occurrence that is subject matter of opposing party's claim does not require identity of factual backgrounds, but, rather, relevant con-

sideration is whether pertinent facts of different claims are so logically related that issues of judicial economy and fairness mandate that all issues be tried in one suit, and court should consider extent of identity of facts and mutuality of proofs. Fed.Rules Civ.Proc. Rule 13(a), 28 U.S.C.A.

See publication Words and Phrases for other judicial constructions and definitions.

9. Federal Civil Procedure

Where music folios that were subject of prior claim and current counterclaim were different folios, indicating that prior claim and current counterclaim arose from different transactions or occurrences, and where prior action had dealt with trademark infringements on cover of folio and injuries resulting therefrom, not with songs contained therein, while current action dealt solely with alleged copyright infringements, counterclaim was permissive rather than compulsory. Fed.Rules Civ.Proc. Rule 13(a), 28 U.S.C.A.

10. Federal Civil Procedure

Court's power to sever claims is discretionary requiring balancing of benefits and prejudice resulting from severance of counterclaim, and no separate trial for counterclaim was shown to be necessary. Fed.Rules Civ.Proc. Rule 42(b), 28 U.S.C.A.

11. Arbitration

Arbitrator's findings and conclusions must be upheld provided they are rational or barely colorable, and his award concerning sell-off of mixed folios was not manifest disregard of the law but, rather, directly reflected contract provision and was therefore confirmed and enforceable.

12. Sales

In determining when title to goods passes, court may consider terms of sale contract, conduct of parties, usages of trade and circumstances of the case. McKinney's Uniform Commercial Code §§ 2-326, 2-401.

13. Sales

Although buyer retains right to return goods, completed sale is generally deemed to have taken place, and title passes to buyer. McKinney's Uniform Commercial Code §§ 2-326, 2-401.

14. Injunction

"Irreparable harm" for purposes of injunction means injury for which monetary award cannot be adequate compensation, and expected harm must be adequately presented as not remote or speculative but, rather, actual and imminent.

See publication Words and Phrases for other judicial constructions and definitions.

15. Copyrights and Intellectual Property

Evidence on motion for preliminary injunction in copyright infringement action as to sale of mixed folios of musical compositions failed to establish, for purposes of preliminary injunction, irreparable harm related to asserted impossibility of ascertaining money damages, and there was failure, also, to show that balance of hardships would weigh in plaintiff's favor.

16. Payment

Question of payment was not issue arising under agreement but simply mixed question of law and fact, and mailing constituted payment, despite misaddressing of payment envelope.

17. Contracts

Although party is entitled to timely performance, promisor's tender of performance in good faith in compliance with contract except for minor deviation will usually avoid breach and bind promisee.

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OPINION

SWEET, *District Judge*. Currently before the court in this action for copyright infringement are several motions that will be dealt with in the order they were heard. First is the motion by Kamakazi Music Corporation ("Kamakazi") to confirm the arbitrator's award. This has been previously deemed by the court to be a motion for summary judgment by plaintiff Kamakazi on the issue of the validity of the Kamakazi copyrights found by the arbitrator to have been infringed. The second is the motion of plaintiff Warner Brothers Publications, Inc. ("Warner") to dismiss counterclaims asserted by defendant Robbins Music Corporation ("Robbins") and in the alternative seeking a separate trial of the issues. The third set of motions relate to the Kamakazi motion for a preliminary injunction argued on September 4, 1981 seeking to prevent further distribution of certain folios containing Kamakazi compositions. For the reasons stated below, the Kamakazi motion to confirm the arbitrator's award will be granted, the Warner motion to dismiss Robbins' counterclaim will be denied and the Kamakazi motion for a preliminary injunction will also be denied.¹

I. Motion for Summary Judgment

The motion regarding validity of the Kamakazi copyrights follows upon this court's opinion in this action dated August 3, 1981 which addressed a motion by Kamakazi to confirm and a cross-motion by Robbins to vacate

¹On August 21, 1981 Robbins served and filed what is fashioned a "supplemental and renewal motion for order vacating the arbitration awards." In essence, it attacks aspects of the arbitrator's actions which were addressed by this court in the opinion dated August 3 and filed August 5, and as such, must be construed as a motion for reargument. That motion is denied as untimely, Local Rule 9(m).

It may be noted with respect to that motion and the supporting papers of Robbins, however, that this court in its opinion of August 3 did not hold, as Robbins now argues, that Kamakazi could have had a double recovery for the wrong committed, that is, contract damages as well as statutory damages for copyright infringements.

the awards of the arbitrator. A detailed statement of the facts and the procedural history of this case is contained in the August 3 opinion, 522 F.Supp. 125, familiarity with which is assumed.² Briefly, in that opinion this court concluded that the arbitrator, in most essentials, properly disposed of the dispute placed before him by his determinations with regard to the Kamakazi-Robbins license agreement, his findings of infringements, and awards of damages and attorneys' fees with reference to the Copyright Act of 1976, 17 U.S.C. § 101 *et seq.* (the "Copyright Act"). However, as the arbitrator failed to expressly pass on the validity of the copyrights found to have been infringed (and perhaps lacked the power to do so, *see* opinion of August 3, 1981, 522 F.Supp. at 131), and did not give Robbins a full opportunity to rebut Kamakazi's *prima facie* showing of validity represented by certificates of registration placed in evidence, the parties were invited to make further submissions in support of and in opposition to what was deemed to be Kamakazi's motion for summary judgment on this issue. The parties were informed that the court would focus as well on the discrepancy between the consistent claim by Kamakazi for forty-five separate infringements and the finding of the arbitrator that twenty-five copyrights, comprising "twelve individual works and thirteen compilations or derivative works," had been infringed. Pending decision on this motion, the awards of the arbitrator have been held in abeyance.

Kamakazi has introduced, as exhibits to an affidavit in support of its motion, copies of the certificates of registration of copyrights on the forty-five musical compositions of Barry Manilow encompassed in the Kamakazi-Robbins agreement, which Kamakazi maintained were infringed. According to the copyright law, 17 U.S.C. § 410(c), each certificate constitutes "*prima facie* evidence of the validity of the copyright and of the facts stated in the certificate." Robbins, it appears, did not challenge the validity of these forty-five copyrights when the certificates were introduced during the arbitration proceedings and does not challenge them now. Their validity thus is established. *Id*; *Durham Industries, Inc. v. Tomy Corp.*, 630 F.2d 905, 908 (2d Cir. 1980).

Rather, Robbins presses that the arbitrator, in finding twenty-five infringements including thirteen of compilations or derivative works, necessarily found infringements of works which were uncopyrighted, since Kamakazi never had any copyrights in such compilations or derivative works. Robbins therefore urges specifically that the award with respect to those thirteen infringements be vacated, that the whole award be vacated because of the failure to specifically identify any infringed copyright, or, in the alternative, that further discovery be granted on this issue. .

²The relevant awards of the arbitrator, dated March 6 and April 7, 1981, are attached to the prior opinions as Appendices A and B.

It appears from the submission of the parties that, indeed, the only relevant copyrights held by Kamakazi are on the forty-five separate compositions. It appears further that twelve of the copyrighted works were published by Robbins in “individual works”—that is, individual sheets of music not combined with any other works. Thus, Robbins does not dispute the basis for the finding of these twelve infringements.

However, as alleged by Kamakazi in detail in affidavits with supporting exhibits and essentially unchallenged by Robbins, in addition to the infringements the arbitrator found in the twelve individual works, all forty-five of Kamakazi’s copyrighted compositions were also published by Robbins in various groupings in “personality folios” after the expiration of its license. Personality folios were described as printed publications featuring musical compositions by a particular artist in the court’s opinion of August 3, 1981. There were eighteen of these folios published by Robbins (examples of which were submitted both to the arbitrator and to this court as exhibits), seven of which matched a particular Barry Manilow Long Playing Record Album (“LP”), and eleven of which did not match any particular Manilow LP. Although in actuality Kamakazi held no separate copyrights on these personality folios qua folios, certain of these eighteen folios were referred to by the arbitrator in his finding of infringements of “thirteen compilations or derivative works.” Any doubt on this score is extinguished by reference to Robbins’ own argument in post-trial closing memorandum to the arbitrator, that:

Claimant’s [i.e., Kamakazi’s] suggestion that it should recover an award of statutory damages for the infringement of ‘45 separate’ copyrights is a further attempt to unjustly compound its recovery. The Copyright Laws specifically treat compilations and derivative works such as the Manilow Folios as ‘one work’ for purposes of an award of statutory damages (17 U.S.C. § 504(c)); Nimmer, Copyright § 14.04[E], pp. 14–32, 14–33.

Kamakazi asserts, again without contradiction by Robbins, that the number thirteen was arrived at by eliminating from the total eighteen personality folios five non-matching folios which comprised substantial duplication of compositions contained in other such folios. The record shows that Robbins had in fact argued to the arbitrator, on similar as well as other bases, that the total number of infringed folios—to be considered as compilations or derivative works—for statutory damages purposes was ten. Thus, the total of “twelve individual works and thirteen compilations or derivative works” were found by the arbitrator to have been infringed.

[1] Of course, basic to the law of copyright is the proposition that proof of the existence and validity of a copyright is prerequisite to a finding of infringement thereof and an award of damages and attorney’s fees. 17 U.S.C. §§ 411, 412; see *Warner Bros., Inc. v. American Broadcasting Companies, Inc.*, 654 F.2d 204 (2d Cir. 1981). While a compilation or

derivative work which is, essentially, an original collection and assembling, or rearrangement or adaptation of an existing work, 17 U.S.C. § 101, may under the right circumstances be copyrighted, 17 U.S.C. § 103; see *Durham Industries, Inc. v. Tomy Corp.*, 630 F.2d at 909-10; see also 17 U.S.C. § 504(c)(1), it is undisputed that none of the Manilow personality folios were so copyrighted. Only the forty-five separate compositions contained therein, twelve of which were also printed individually, were copyrighted. In other words, the arbitrator committed an error of law to the extent that his assignment of specific infringements could be construed to cover entire personality folios, which were not covered by valid copyrights established or even claimed by Kamakazi.

[2] In the circumstances of this case as established from the record, however, this is not a basis for vacation of all or even the pertinent part of the arbitration awards. Mere error in the application or interpretation of law, in a context such as this, is insufficient ground upon which to vacate, so long as the findings and conclusions of the arbitrator are rational, or barely colorable. *John T. Brady & Co. v. Form-Eze Systems, Inc.*, 623 F.2d 261, 264 (2d Cir.), cert. denied, 449 U.S. 1062, 101 S.Ct. 786, 66 L.Ed.2d 605 (1980); *Andros Compania Maritima S.A. v. Marc Rich & Co., A.G.*, 579 F.2d 691, 704 (2d Cir. 1978); *Marcy Lee Mfg. Co. v. Cortley Fabrics Co.*, 354 F.2d 42, 43 (2d Cir. 1965); *MCT Shipping Corp. v. Sabet*, 497 F.Supp. 1078, 1082-83 (S.D.N.Y.1980). This is not a case of "manifest disregard of the law"—where the arbitrator understood and correctly stated the law, but proceeded to ignore it. *Andros Compania Maritima*, supra, 579 F.2d at 704; *Drayer v. Krasner*, 572 F.2d 348, 352 (2d Cir.), cert. denied, 436 U.S. 948, 98 S.Ct. 2855, 56 L.Ed.2d 791 (1978); *Reynolds Sec. Inc. v. Macquown*, 459 F.Supp. 943, 945 (W.D.Pa.1978); *Amerada Hess Corp. v. Local 22026 Federal Labor Union, AFL-CIO*, 385 F.Supp. 279, 284 (D.N.J.1974); see *Reichman v. Creative Real Estate Consultants, Inc.*, 476 F.Supp. 1276 (S.D.N.Y.1979).

Here, particularly in view of Robbins' own urging to the arbitrator that the personality folios, taken as compilations or derivative works, be considered the basic units infringed, including citation to authority for that proposition, I cannot conclude that the arbitrator's apparent error in assigning specific infringements was such as to compel vacation. Indeed, in any event in view of the difficulties in determining separate infringements, cf. *Robert Stigwood Group Ltd. v. O'Reilly*, 530 F.2d 1096 (2d Cir.), cert. denied, 429 U.S. 848, 97 S.Ct. 135, 50 L.Ed.2d 121 (1976); *Iowa State Univ. Research Foundation, Inc. v. American Broadcasting Companies, Inc.*, 475 F.Supp. 78, 81-83 (S.D.N.Y.1979), *aff'd*, 621 F.2d 57 (2d Cir. 1980); *Cory v. Physical Culture Hotel Inc.*, 14 F.Supp. 977, 985 (W.D.N.Y.1936), *aff'd* 88 F.2d 411 (1937), it seems that the findings and conclusions with respect to infringements represent a rational, if in part unfounded, as to entire folios, effort to arrive at a fair approximation

of the aggregate wrong committed by Robbins to Kamakazi's rights under license agreement and the copyright law. All things considered, it is difficult to see how Robbins was prejudiced by this error.

Although what has been deemed Kamakazi's motion for summary judgment on the issue of validity of the twenty-five copyrights found by the arbitrator to have been infringed, cannot be granted in full because of the improper specific assignment of infringements just referred to, the motion of Kamakazi to confirm the awards of the arbitrator will now be granted in all other respects.

II. Motion to Dismiss Robbins' Counterclaims.

Robbins is asserting four counterclaims on behalf of its affiliate, Big 3 Music Corporation ("Big 3")³, against Warner for printing the music to four songs in violation of Big 3's copyrights. Each counterclaim corresponds to one song. To Warner's claim of duly issued licenses from Big 3 for each of the four songs, Big 3 contends that the licenses were rescinded. Warner has moved under Fed.R.Civ.P. 12(b)(6) to dismiss these counterclaims for failure to state claims upon which relief can be granted.

The affidavits and accompanying exhibits submitted establish that on May 15, 1980 four licenses were issued by Robbins to Warner to print the four songs in question in a music folio entitled "Urban Cowboy" published by Warner. A letter also dated May 15, 1980, written by Warner to Big 3, established a reciprocal agreement to the effect that Warner would grant similar licenses to Robbins. This agreement was again referred to in a telephone conversation between representatives of Warner and Big 3 six months later on November 12, 1980. This conversation was recorded by Robbins without Warner's knowledge.

Also in November 1980, Warner filed suit against Big 3 seeking remedies for trademark infringement, unfair competition, and dilution of trademark. Big 3 had printed a music folio or music book, entitled "Urban Cowboy Music." This folio contained the four songs referred to above from the movie "Urban Cowboy" as well as other country and western compositions. The cover of Big 3's "Urban Cowboy Music" folio contained the title and a logo associated with the movie, Warner held licenses to the trademarks to both the title and the logo and sought to prevent Big 3 from infringing on these trademarks. Before Big 3 answered the complaint, the parties settled the dispute on February 27, 1981. The settlement and an accompanying court order dated March 4, 1981 enjoined the use of the trademarks, prevented further distribution of the infringing folio, caused the destruction of the printing plates for the cover and title page of

³It is asserted and uncontested that Robbins and Big 3 are affiliates and should be treated as the same party.

the infringing folio and awarded damages for the past trademark infringement by Big 3 with its "Urban Cowboy Music" folio. The settlement, however, related only to the trademarks infringed upon and did not refer to Warner's "Urban Cowboy" folio or to the four songs in question.

Throughout this prior suit and settlement, Big 3 alleges it continued to try to obtain licenses to other songs pursuant to the reciprocal agreement and in a letter dated January 14, 1981 Big 3 threatened to rescind the licenses to the four songs used in Warner's "Urban Cowboy" folio unless Warner granted Big 3 licenses to four songs pursuant to the agreement. On that same date Warner wrote Big 3 a letter accompanied by proposed licenses for three songs, claiming that because Robbins had reneged on the informal agreement, it was no longer in effect, and that the three accompanying licenses were to be governed solely by the terms of the proposed licenses. The parties never fully agreed on the terms, and on March 22, 1981 Big 3 sought to rescind the licenses to the four Urban Cowboy songs claiming Warner's breach of the reciprocal agreement. Considering the licenses rescinded, Big 3 now claims that Warner's continued publication of the "Urban Cowboy" folio is an infringement on Big 3's copyrights giving rise to its counterclaim.

[3] Warner urges that the licenses granted by Big 3 to Warner on May, 15, 1980 are defenses to the copyright infringement suit and that, as a matter of law, Warner is entitled to have the counterclaims dismissed. Although there are no allegations in Big 3's counterclaim that the four licenses had been rescinded, the counterclaim must be read in light of the supporting affidavits which claim such rescission. *Desrosiers v. American Cyanamid Co.*, 377 F.2d 864, 871 n.8 (2d Cir. 1967). In Rule 12(b)(6) motions, when "matters outside the pleadings are presented to and not excluded by the court, the motion shall be treated as one for summary judgment and disposed of as provided in Rule 56." Since this Rule 12(b)(6) motion is to be treated under the summary judgment standards of Rule 56 this court must determine whether in light of the pleadings and affidavits there remains a "genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law." Rule 56(c). Such issues remain.

[4] The principal issue presented by the affidavits and exhibits is whether the parties intended to modify the licenses by a reciprocal agreement. If the licenses are determined to be integral, and the full expression of the agreement between the parties, the parol evidence rule prohibits parol evidence from varying or contradicting the terms of the agreement. *Laskey v. Rubel Corp.*, 303 N.Y. 69, 71, 100 N.E.2d 140 (1951); *Fogelson v. Rackfay Constr. Co.*, 300 N.Y. 334, 338, 90 N.E.2d 881 (1950). The intent is derived from the circumstances surrounding the agreement. In *Fogelson v. Rackfay Constr. Co.*, the Court of Appeals stated:

Decision in each case must, of course, turn upon the type of transaction involved, the scope of the written contract and the content of the oral agreement asserted. . . .

["T]he court must find the limits of the integration as best it may by reading the

writing in light of surrounding circumstances and by determining whether or not the agreement was one which the parties would ordinarily be expected to embody in the writing.” *Ball v. Grady*, supra, 267 N.Y. 470, 196 N.E. 402, 403.

300 N.Y. at 338, 90 N.E.2d 881.

[5,6] In this case the licenses contain merger clauses stating that the written agreements constitute the entire agreement between the parties which may only be modified by an agreement signed by the parties. Such a merger clause generally creates a strong presumption of an integration. *Orth-O-Vision, Inc. v. Home Box Office*, 474 F.Supp. 672, 679 (S.D.N.Y.1979). However, as mentioned above, the surrounding circumstances must also be considered. There is evidence that reciprocal agreements are a common industry practice (Affidavit of Steven L. Cotler, affirmation #5, August 14, 1981) sufficient to rebut the presumption of the validity of a merger clause. Warner acknowledged the existence of a separate reciprocal agreement in letters concurrent with and subsequent to the execution of the licenses and in subsequent oral statements. Thus, factual issues as to the existence of the agreement and its term are sufficiently established to defeat the motion for summary judgment.

[7] Warner also seeks to dismiss the counterclaim as a compulsory counterclaim which should have been raised in the prior action settled on February 27, 1981. *Paramount Pictures Corp. v. The Big 3 Music Corp.*, 80 Civ. 6345 (LPG); Fed.R.Civ.P. 13(a). Although not expressly provided for, the defense of compulsory counterclaim is properly raised under Rule 12(b)(6) since its availability appears in the plaintiffs pleadings. *Southard v. Southard*, 305 F.2d 730, 732 n.1 (2d Cir. 1962) (defense of res judicata properly raised); *Pyles v. Keane*, 418 F.Supp. 269, 273 (S.D.N.Y.1976), quoting *Thistlethwaite v. City of New York*, 362 F.Supp. 88, 91 (S.D.N.Y.1973), *aff'd*, 497 F.2d 339 (2d Cir. 1974), *cert. denied*, 419 U.S. 1093, 95 S.Ct. 686, 42 L.Ed.2d 686 (1979) (defense of collateral estoppel properly raised).

[8] Fed.R.Civ.P. 13(a) requires that a counterclaim must be asserted “if it arises out of the transaction or occurrence that is the subject matter of the opposing party’s claim.” If such a matter is not brought up it is thereafter barred. *Baker v. Gold Seal Liquors, Inc.*, 417 U.S. 467, 469 n.1, 94 S.Ct. 2504, 2506, n.1, 41 L.Ed.2d 243 (1974); *Harris v. Steinham*, 571 F.2d 119, 122 (2d Cir. 1978). Warner asserts that Robbins’ claim for copyright infringement of the four “Urban Cowboy” songs should have been brought in the prior trademark infringement suit. As the rule indicates, resolution of this issue turns on whether the copyright infringement action concerning Warner’s “Urban Cowboy” folio and the trademark violation concerning Big 3’s “Urban Cowboy Music” folio arose from the same transaction or occurrence. The definition of transaction or occurrence does not require an identity of factual backgrounds. *Moore v. New York Cotton Exchange*, 270 U.S. 593, 610, 46 S.Ct. 367,

371, 70 L.Ed. 750 (1926); *United Artists Corp. v. Masterpiece Productions, Inc.*, 221 F.2d 213, 216 (2d Cir. 1955). More important is the logical relationship between the complaint and the counterclaim. The relevant consideration is whether the pertinent facts of the different claims are so logically related that issues of judicial economy and fairness mandate that all issues be tried in one suit. *United States v. Aquavella*, 615 F.2d 12, 22 (2d Cir. 1979); *Harris v. Steinham*, 571 F.2d 119, 123 (2d Cir. 1978). The court should also consider the extent of identity of facts and the mutuality of proofs. *Federman v. Empire Fire & Mar. Ins. Co.*, 597 F.2d 798, 811-12 (2d Cir. 1979); *Pipelines Local Union No. 798 v. Ellerd*, 503 F.2d 1193, 1198 (10th Cir. 1978).

[9] First, the music folios, that are the subject of the prior claim and the current counterclaim, are different folios. The prior trademark claim concerned the Big 3 "Urban Cowboy Music" folios; the current counterclaim concerns the Warner "Urban Cowboy" folios. This indicates that the prior claim and current counterclaim arose from different transactions or occurrences. See *Clair v. Kastar*, 138 F.2d 828, 830 (2d Cir. 1943).

Second, the prior action dealt with trademark infringements on the cover of Big 3's folio and injuries resulting therefrom, not with the songs contained therein. The current action deals solely with alleged copyright infringements by Warner in its folio. Thus, the only connection is that we are dealing with issues relating to music folios dealing with the movie "Urban Cowboy." The claims concern different types of claims as to different parties and their folios. Thus the logical relation between the two claims is too tenuous.

The evidence to be considered in both actions also differs. The prior action could have dealt with proof of the existence of trademarks and proof of the likelihood of confusion between the marks. *American Footwear Corp. v. General Footwear Co.*, 609 F.2d 655, 664 (2d Cir. 1979), *cert. denied*, 445 U.S. 951, 100 S.Ct. 1601, 63 L.Ed.2d 787 (1980). The current action will consider and require proof of the validity of the licenses granted by Big 3 to Warner, the alleged rescission of those licenses, whether the documents were an integration and the effect of the merger clause. These issues and proofs bear no relation to the prior trademark action. Thus the logical relationship between the claims is even more tenuous.

Since there is no effective logical relationship between the two claims aside from both relating to "Urban Cowboy" music folios, the subject matters of the two suits are different, and the issues and proofs are different. Big 3's counterclaim, therefore, was permissive and Robbins is not barred from asserting the claim in the present action. Consequently, the issue of when Big 3's action arose and the effect of settling the prior case before an answer had been filed on the compulsory nature of the counterclaim need not be addressed.

[10] As an alternative to Warner's motion seeking dismissal of defendant Robbins' counterclaim, Warner seeks separate trial of the counterclaim. Under Fed.R.Civ.P. 42(b) a judge may grant a separate trial of a counterclaim:

in furtherance of convenience or to avoid prejudice, or when separate trials will be conducive to expedition and economy . . .

The court's power to sever claims is discretionary requiring the balancing of benefits and prejudice resulting from severance of the counterclaim. The district court's determination will not be set aside absent a showing of abuse of discretion. *Garber v. Randell*, 477 F.2d 711, 714 (2d Cir. 1973). In this counterclaim a separate trial is not necessary. Although the Urban Cowboy litigation is substantively separate and distinct from the Kamakazi personality and mixed folio litigation, inclusion of the Urban Cowboy counterclaim will not confuse the issues in the Kamakazi folio litigation in such fashion as to require a separate trial. Warner's alternative motion for a separate trial is denied.

III. The Preliminary Injunction and Related Matters.

Subsequent to its motion to confirm the arbitrator's award, which motion has been granted as indicated above, Kamakazi on August 31, 1981 moved by order to show cause seeking a temporary restraint and preliminary injunction to bar Robbins from disposing of any mixed folios or other copyrighted material covered by the agreement which was the subject of the arbitration including a number of publications now in the possession of Hal Leonard Publishing Company ("Hal Leonard"), a Wisconsin corporation. The requested temporary restraint was issued on August 31, 1981. The motion for preliminary injunction was heard on September 4, 1981 at which time Hal Leonard appeared as a non-party, having been given notice of the hearing to contest any jurisdiction over that non-party Wisconsin corporation and to oppose any injunctive relief sought to be imposed by Kamakazi. The temporary restraint has just expired. The motion for preliminary injunction will be denied for the reasons set forth below which constitute the court's findings of fact and conclusions of law. Robbins' cross-motion for a stay pending arbitration will be disposed of as set forth below.

Reference has already been made to the arbitrator's award and the tangled procedural history of this dispute set forth in prior opinions of this court. The award contains the following language which Kamakazi asserts is controlling on this application:

RESPONDENT is permanently enjoined from printing or selling at any time in the future any of CLAIMANT'S compositions except those included in mixed folios (folios containing a collection of songs not associated with any particular artist)

manufactured and sold by RESPONDENT before December 31, 1979, copies of which RESPONDENT may sell, but not print, until July 31, 1981 and copies of which RESPONDENT may sell thereafter in perpetuity provided RESPONDENT pays to CLAIMANT on or before July 31, 1981 all royalties that would be due on said copies if sold. With respect to any copies of mixed folios for which such advance royalties are not paid, on or before July 31, 1981, CLAIMANT shall have the right to purchase all or a portion thereof at RESPONDENT'S cost or in the alternative the right to require RESPONDENT to destroy all or a portion of said copies and receive an affidavit as to such destruction.

¶3. Arbitrator's Award, March 6, 1981.

It is undisputed that in December, 1980, Stephen L. Cottler ("Cottler") called Keith Mardak ("Mardak"), the executive vice president and general manager of Hal Leonard, one of Robbins' regular customers, to offer to sell to Hal Leonard the mixed folios containing Kamakazi materials. Both parties to the conversation recognized that Robbins' rights to manufacture and sell these folios expired at the end of 1980.

A contract was entered into on December 31, 1980, which purported to transfer title to Hal Leonard. Hal Leonard was to pay for any materials which it sold under certain conditions and to put to Robbins for repurchase any unsold materials at the option of Hal Leonard. The transaction although large in amount, was not unusual as to its terms except perhaps as to the indemnification demanded and received by Hal Leonard. As a consequence of the agreement, these materials were delivered to Hal Leonard. A certain amount of the materials have been sold, for which Robbins has been paid. Cottler's affidavit and Mardak's testimony establish that the transaction was at arms length and that the contracting parties are independent corporations, each seeking their own purposes. Kamakazi has offered no evidence beyond the December 31, 1980 contract between Robbins and Hal Leonard to establish its claim of an agency relationship between them, which the contract fails to do.

Robbins asserts that it has accounted to Kamakazi for the sales made by Hal Leonard for which it has received payment, and Kamakazi has not challenged this assertion by any evidence offered by any officer or employee of Kamakazi with knowledge of the facts. It is, however, conceded by Robbins and Hal Leonard that a substantial amount of the Hal Leonard material has not been sold by Hal Leonard to third parties, and that consequently, no payment has been made to Robbins, and that no payment has been made by Robbins to Kamakazi covering such materials.

In addition to the materials covered by the Hal Leonard contract, Robbins possessed other mixed folios which it maintained in its inventory which were covered by the sell-off provision in the 1976 agreement and were referred to in the arbitrator's award quoted above.

Robbins has presented affidavits that on July 31, 1981 it mailed an accounting and payment to Kamakazi covering such mixed folios. Unfortunately, or deliberately as implied by Kamakazi, the envelope was misad-

dressed, failed to arrive, was returned to sender and was subsequently delivered to counsel for Kamakazi on August 21, 1981. The metered stamp relied on by Robbins to establish the mailing was that of United Artist Corporation, alleged to be Robbins parent or the corporation of which Robbins is a division.

[11] The arbitrator's award concerning the sell-off of mixed folios as quoted above is not devoid of a foundation in law. An arbitrator's findings and conclusions must be upheld provided they are rational or barely colorable. *John T. Brady & Co. v. Form-Eze Systems, Inc.*, 623 F.2d at 264; *Marcy Lee Mfg. Co. v. Cortley Fabrics Co.*, 354 F.2d at 43; *MCT Shipping Corp. v. Sabet*, 497 F.Supp. at 1082-83. This decision is not a "manifest disregard" of the law where the arbitrator disregarded the law. *Andros Compania Maritima, S.A. v. Marc Rich & Co., A.G.*, 579 F.2d at 704. The arbitrator's decision (§3) respecting the sell-off provision directly reflects the provision set forth in the November 15, 1976 contract (§6). The sell-off provision is therefore confirmed and enforceable. As to the sell-off provision the remaining question concerns whether the "sold and not returned" provision (§2B)⁴ affects the selloff provision (§6).

[12] The December 31, 1980 transaction between Hal Leonard and Robbins was an arms-length sale, title passed and Robbins would appear to be liable for the royalty amounts involved. Absent a showing of an explicit agreement to the contrary, title to goods is deemed to pass "at the time and place at which the seller completes his performance with reference to the physical delivery of the goods." U.C.C. § 2-401 (McKinney's 1964); *Auto Rental Corp. v. Weisberg*, 54 Misc.2d 168, 281 N.Y.S.2d 400, 403 (1967); *Wickham v. Levine*, 47 Misc.2d 1, 261 N.Y.S.2d 702, 708, *aff'd*, 24 A.D.2d 1035, 264 N.Y.S.2d 785 (1965), *aff'd*, 23 N.Y.2d 923, 298 N.Y.S.2d 507, 246 N.E.2d 357 (1969). The court may consider the terms of the contract, the conduct of the parties, the usages of trade and the circumstances of the case. *Socony Mobil Oil Co. v. Wayne City Produce Co.*, 24 Misc.2d 519, 196 N.Y.S.2d 729, 733 (1959).

[13] Although a buyer retains the right to return goods, a completed sale is generally deemed to have taken place and title passes to the buyer. U.C.C. 2-326 (McKinney's 1964); *In re H. & H. Beverages, Inc.*, 45 F.Supp. 124, 125 (W.D.N.Y.1942); *Bernadette, Joseph & Co. v. Van Buren*, 212 A.D. 702, 704, 209 N.Y.S. 559 (1925); *cf: Hyman Michaels Co. v. Senior & Palmer, Inc.*, 265 N.Y. 266, 272, 192 N.E. 407 (1934) (sale and repurchase contract). Therefore, the contract evidences a completed sale. Based on this proper reading of the contract, the apparent independence

⁴The contract of November 15, 1976 in paragraph 2(B) provides as follows:

With respect to each copy of each composition included in Mixed Folios, that portion of 12½% of the suggested retail selling price of such Mixed Folio, sold by you and not returned, as the compositions bear to the total number of copyrighted musical compositions contained therein as to which you are obligated to pay royalties.

of Hal Leonard and Robbins, and the delivery of possession with full right to disposition, Kamakazi's challenge to the sale based solely on the contract is defeated. Further, of course, the effect of the Robbins/Hal Leonard contract is not an issue arising under the Kamakazi/Robbins' agreement.

Robbins seeks to defeat its immediate liability for the royalties from the Hal Leonard sale by a claim that under the terms of payment of the 1976 agreement its liability is limited only to materials "sold and not returned" (§2B), but that language is not found in the sell-off provision of the contract and would appear to be inapplicable. The sell-off provision appears to attempt to require an accounting for and advance payment of royalties for all copies outstanding as of July 31, 1981. Moreover, Mardak testified to the trade practice of accepting returns within the accounting period, and it seems rather evident that the term "sold and not returned" simply seeks to describe the materials to be covered during the period accounted for, in this instance, the 1 year sell-off period ending December 31, 1980. However, this dispute does arise under the agreement, and such disputes have been previously held by me to be subject to arbitration. There is no indication that this issue was presented to the arbitrator, and therefore I will defer to his resolution, should Robbins insist on its right of arbitration. However, in view of the relatively clear language, in the event that the arbitrator does not confirm Robbins' view, prejudgment interest might well be considered with respect to any royalty amounts found to be due.

Even if the issue as seen by the court returns to arbitration for resolution as to liability, the matter of injunctive relief remains. Even assuming that Robbins failed to make a royalty payment with respect to the Hal Leonard folios, the injunction will be denied. To obtain a preliminary injunction plaintiffs must demonstrate (1) irreparable harm and (2) either (a) likelihood of success on the merits or (b) sufficiently serious questions going to the merits making them a fair ground for litigation and a balancing of hardships tipping decidedly toward the party requesting the preliminary injunction. *KMW Int'l v. Chase Manhattan Bank, N.A.*, 606 F. 2d 10, 14 (2d Cir. 1979); *Jackson Dairy, Inc. v. H. P. Hood & Sons, Inc.*, 596 F.2d 70, 72 (2d Cir. 1979); *Selchow & Righter Co. v. McGraw-Hill Book Co.*, 580 F.2d 25, 27 (2d Cir. 1978).

Kamakazi contends that it will be irreparably harmed by sales by Robbins and Hal Leonard because money damages cannot be adequately ascertained and thus are not sufficient compensation. Kamakazi alleges that its compositions were effectively the primary attraction in the sale of mixed folios due to their popularity compared to other composers' works. Therefore, they allege, Kamakazi compositions should be entitled to a portion of the royalties greater than the pro rata share they are generally entitled to. Due to the vast variety of folios printed it would be extremely

difficult to ascertain the relative contribution of each of the Kamakazi tunes in each published folio and consequently, it is alleged, the measure of damages would be unascertainable. These losses, it is claimed, will result in reduced royalties from Manilow compositions on personality folios and sheet music from which Kamakazi would receive the entire royalty. These reduced royalties are asserted to be unascertainable as well. Moreover, it is claimed that large quantities of these folios can be sold quickly, thereby exacerbating the problem of determining damages.

Kamakazi's contentions are contested by Robbins. Robbins contends by affidavits of those experienced in the field that the very purpose of mixed folios is to sell a collection of musical compositions not identified with any particular recording artist, sometimes related by some common theme. (E.g. The Mellow Golden Flute, Disco Power, 23 Pop Hits). The value of the folio, it is alleged, lies in the variety of popular tunes rather than a particular artist's works. Although Kamakazi/Manilow compositions are often listed on the cover of the folios, other famous composers' works are listed as well. Moreover, individual Manilow compositions are generally available at a fraction of the mixed folio price.

[14, 15] "Irreparable harm" means injury for which a monetary award cannot be adequate compensation. *Jackson Dairy, Inc. v. H. P. Hood & Sons, Inc.*, 596 F.2d at 72. The expected harm must be adequately presented as "not remote or speculative but . . . actual and imminent." *New York v. Nuclear Regulatory Comm.*, 550 F.2d, 745, 755 (2d Cir. 1977) quoted at *Jackson Dairy, Inc. v. H. P. Hood & Sons, Inc.*, 596 F.2d at 72; *KMW Int'l v. Chase Manhattan Bank, N.A.*, 606 F.2d at 15. The evidence and allegations presented in arguing the preliminary injunction do not sufficiently rule out the possibility of money damages being determinable. Kamakazi's claim that Manilow compositions are the primary attraction in mixed folios is based solely on an affidavit of counsel and is opposed by affidavits of those active in the industry. Kamakazi's claim of irreparable injury has therefore not been sufficiently established.

Even if a showing of possible irreparable injury were adequately made the second prong of the standard test requiring a showing of (a) likelihood of success on the merits or (b) serious questions going to the merits and a balancing of the hardships decidedly in favor of Kamakazi, *KMW Int'l*, 606 F.2d at 14, has not been established. Even if Kamakazi were to succeed on the merits, the balance of the hardships do not weigh decidedly in Kamakazi's favor.

Kamakazi may recover money damages, possibly including an amount to compensate for loss of good will and other competitive injury. Its license fees with respect to the infringing folios constitute only a slight percentage of the folio cost to the defendant. In addition an injunction pending an arbitrator's decision could result in lost sales, storage costs, administrative costs in preventing their sale and possible losses in the value of

the folios in their becoming further outdated. *E.g.* Top Hits of 1978. These considerations indicate that the balance does not weigh decidedly in Kamakazi's favor. A preliminary injunction will therefore not be granted with respect to the Hal Leonard materials.

[16, 17] With respect to the Robbins mixed folios, in addition to the questions of irreparability and balance of hardship just discussed, Robbins claims compliance with the arbitrator's award as a consequence of facts with respect to the mailing. The question of payment on July 31, 1981 is not an issue arising under the agreement but simply a mixed question of fact and law and I conclude that mailing, even under these circumstances, constituted payment. Although a party is entitled to timely performance, a promisor's tender of performance in good faith in compliance with the contract except for a minor deviation usually will avoid the breach and bind the promisee (Kamakazi) to the contract. *Clayman v. Goodman Properties, Inc.*, 171 U.S.App. D.C. 88, 518 F.2d 1026, 1035 (1973). Cf. *Nieman-Irving & Co. v. Lazenby*, 263 N.Y. 91, 94, 188 N.E. 265 (1933); *Witherell v. Lasky*, 286 A.D. 533, 145 N.Y.S.2d 624, 627 (1955) (substantial performance sufficient in a construction contract). In this case the deviation, misaddressing the payment envelope, does not significantly affect the substance of the agreement. Karen Adams, an employee of Robbins, stated that she addressed and mailed the check for the royalties to Kamakazi's address. Kamakazi's inferences of misconduct do not sufficiently rebut Robbins' presentation and the gravity of the breach. Therefore as to the mixed folios in Robbins' inventory, the arbitrator's award has been complied with, and the injunction will be denied provided payment is once again tendered by Robbins to Kamakazi for the folios sold by Robbins and for which it has received royalty payments.

Finally with respect to the remaining materials in Robbins' possession, the so-called "questionable folios," on the state of this record Kamakazi has failed to establish its claim that "Kamakazi compositions are included in an appreciable number of 80,258 mixed folios," not sold in accordance with the agreement of 1976. Therefore the possible irreparable injury has not been shown to be actual and imminent and is at best speculative. *New York v. Nuclear Regulatory Comm.*, 550 F.2d at 755; *Jackson Dairy, Inc. v. H. P. Hood & Sons*, 596 F.2d at 72. Therefore, its motion for preliminary injunction as to those unidentified folios, is denied with leave to renew upon a further showing. Both parties' requests for costs on this motion for a preliminary injunction are denied.

More remains to be done. Discovery on the action by Warner Brothers will be completed by November 30, 1981, Warner's draft of its pretrial will be served, and the final pretrial order filed on December 7, 1981 at which time the action will be placed on the trial calendar.

Settle order on notice within five (5) days.

IT IS SO ORDERED.

KAMAR INTERNATIONAL, INC., a corporation, and Kamar, Inc., a corporation, Plaintiffs-Appellants, v. **RUSS BERRIE AND CO.**, a corporation, Sol Levy, an individual, and Russ Berrie and Co. West, Inc., a corporation, Defendants-Appellees

No. 79-3666

*United States Court of Appeals, Ninth Circuit—Argued and Submitted
July 9, 1981—Decided September 28, 1981*

657 F.2d 1059. 216 USPQ 376

[See also 752 F.2d 1326, 224 USPQ 674, 48 C.O.Bull.____ (9th Cir., Dec. 4, 1984)]

Plaintiff manufacturer of stuffed toy animals sued defendant manufacturer charging copyright infringement and unfair competition under Lanham Act. The United States District Court for the Central District of California, David W. Williams, J., rendered judgment for defendant, and plaintiff appealed. The Court of Appeals, Goodwin, Circuit Judge, held that: (1) absent finding of lack of originality finding of noncopyrightability could not be based on fact that concept of toy animals was taken from the public domain; (2) realistic depictions of live animals are copyrightable; (3) distribution of uncopyrighted pictures of the animals did not invalidate the copyright; (4) in failing to find similarity between the products the trial court used too strict a test; and (5) trial court properly found that plaintiff had not prevailed on its Lanham Act theories.

Affirmed in part and vacated and remanded in part.

1. Copyrights and Intellectual Property

Originality is the sine qua non of copyrightability. 17 U.S.C. (1970 Ed.), §§ 1 et seq., 10.

2. Copyrights and Intellectual Property

Absent a valid finding of lack of originality, it could not properly be concluded that plaintiffs' stuffed toy animals, which were copyrighted as "soft sculptures," were not copyrightable because the concept of toy animals was taken from the public domain. 17 U.S.C. (1970 Ed.), §§ 1 et seq., 10.

3. Copyright and Intellectual Property

Realistic depictions of live animals are copyrightable. 17 U.S.C. (1970 Ed.), §§ 1 et seq. 10.

4. Copyrights and Intellectual Property

Copyright of stuffed toy animals was not invalid for lack of proper notice on ground that pictures of the copyrighted animals appeared in catalogues that did not contain a copyright notice; catalogue pictures of copyright holder's wares were not "copies" of work within meaning of statute requiring that a notice of copyright be affixed to each copy of the work thereof published or offered for sale. 17 U.S.C. (1970 Ed.), §§ 1 et seq., 10.

See publication Words and Phrases for other judicial constructions and definitions.

5. Copyrights and Intellectual Property

Copyright infringement is established by copying. 17 U.S.C. (1970 Ed.), §§ et seq., 10.

6. Copyrights and Intellectual Property

Once copyright holder demonstrates that defendant had access to copyrighted items and that defendant's product is substantially similar to plaintiff's work, burden shifts to defend-

ant to prove that the work was not copied, but independently created. 17 U.S.C. (1970 Ed.), §§ 1 et seq., 10.

7. Copyrights and Intellectual Property

In view of evidence that defendant did business with the same Korean stuffed animal manufacturers employed by plaintiff to make plaintiff's copyrighted stuffed animals, it was error to fail to shift to defendant the burden of proof in copyright infringement action. 17 U.S.C. (1970 Ed.), §§ 1 et seq., 10.

8. Federal Courts

Remand for specific decision on validity of copyright of stuffed toy animals was required where trial court made no mention of governing *Krofft* case and did not employ the two-part test mandated by such decision and only finding made on similarity indicated that the trial court used the analytic dissection method permitted for the "extrinsic" test part only. 17 U.S.C. (1970 Ed.), §§ 1 et. seq. 10.

9. Trade Regulation

Where plaintiff did not prove either of its allegations, i.e., that defendant cut out labels on plaintiff's copyrighted stuffed animals or that defendants sold exact copies of such animals, plaintiff had not prevailed on its Lanham Act claim. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

10. Trade Regulation

Where arguments that because defendant distributed under its label stuffed animals which were substantially similar to plaintiff's copyright stuffed animals defendant violated the Lanham Act was not made at trial level, it would not be considered on appeal where defendant had not expressly and impliedly consented to trial of such question and proceedings below did not put defendant on notice that such a theory was being asserted. Lanham Trade-Mark. § 1 et seq., U.S.C.A. § 1051 et seq.; Fed.Rules Civ.Proc. Rule 15(b), 28 U.S.C.A.

Joseph R. Evanns, Herzig & Walsh, Inc., Beverly Hills. Cal., for plaintiffs-appellants.

Michael A. Painter, Cooper, Epstein & Hurewitz, Beverly Hills, Cal., for defendants-appellees.

Appeal from the United States District Court for the Central District of California.

Before GOODWIN and SKOPIL, Circuit Judges and SOLOMON,* District Judge.

GOODWIN, *Circuit Judge*. Kamar, Inc. appeals from a judgment of the district court finding Kamar's purported copyrights of stuffed toy animals invalid and not infringed and finding no unfair competition or Lanham Act violation.

Both Kamar, Inc. and Russ Berrie, Co. sell stuffed toy animals. Kamar's toys are copyrighted as "soft sculptures" and are manufactured by Korean subcontractors. The subcontractors take Kamar's designs and

*The Honorable Gus J. Solomon, Senior United States District Judge for the District of Oregon, sitting by designation.

make stuffed animals from them, affixing Kamar's copyright notice and distinctive logo to each completed toy.

Berrie's stuffed animals are also copyrighted, but Berrie purchases them directly from Korean manufacturers. Three of Berrie's Korean manufacturers, (Young Il Inc., Suck Kyung, and Won Jeung), were previously employed by Kamar to manufacture Kamar's stuffed animals.

I. *The Validity of the Copyright.*

A. *"The Copyrightability of Stuffed Animals"*

This court has said that the prerequisites for copyright registration are minimal:

"... The work offered for registration need not be new, but only original, *i.e.*, the product of the registrant . . .

' "Original" in reference to a copyright work means that the particular work "owes its origin" to the "author." No large measure of novelty is required. * * * All that is needed to satisfy both the Constitution and the statute is that the "author" contributed something more than a "merely trivial" variation, recognizably "his own." . . . '

Sid & Marty Krofft Television v. McDonald Corp., 562 F.2d 1157, 1163 n.5 (9th Cir. 1977) (quoting *Alfred Bell & Co. v. Catalda Fine Arts*, 191 F.2d 99, 102-03 (2d Cir. 1951).

Berrie contends that because stuffed toy animals are widely available to manufacturers like himself, and that because Kamar's concepts of toy animals were taken from the public domain, Kamar's stuffed animals are not copyrightable. The district judge agreed and adopted Berrie's proposed findings to that effect.

[1] In order to support its finding that the animals were not copyrightable, the court would have had to find that Kamar's stuffed animals lack originality. *See id.* Nowhere, however, is the word originality used by either Berrie or the trial court. There are no factual findings denying that Kamar's toy are original. The question does not appear to have been addressed by the district court. This omission seems unusual in view of the truism that originality is the *sine qua non* of copyrightability. All we have are two factual findings by the court; one of which says that (presumably all) stuffed animals are in the public domain. The other says that Kamar's toys were taken from the public domain.

[2] Such findings do not establish lack of originality:

"[T]he mere fact that plaintiff used a matter in the public domain does not in and of itself preclude a finding of originality, since plaintiff may have added unique features to the matter so as to render it copyrightable. . . ." *R. Dakin & Co. v. A & L Novelty Co., Inc.*, 444 F.Supp. 1080, 1083-84 (E.D.N.Y.1978).

See L. Batlin & Son, Inc. v. Snyder, 536 F.2d 486, 490 (2d Cir.) (en banc), *cert. denied*, 429 U.S. 857, 97 S.Ct. 156, 50 L.Ed.2d 135 (1976) (the use of

matters in the public domain does not preclude a finding of originality). Therefore, without a valid finding of lack of originality, the trial court could not conclude that Kamar's "soft sculptures" were not copyrightable because Kamar's concept of toy animals was taken from the public domain.

B. *"The Copyrightability of Realistic Depictions of Animals"*

[3] Berrie makes the novel contention that realistic depictions of live animals are not copyrightable. The district court agreed and instructed Berrie to prepare findings to that effect. These findings are actually conclusions of law, and they are erroneous.

We find no authority for Berrie's proposition. Anyone can copyright anything, if he adds something original to its expression. I *Nimmer on Copyright*, Chpt. 2 (1981). The cases cited by Berrie and the court below to the contrary, are not in point. Indeed, the very contention urged has been expressly rejected. "The mere fact that . . . [a stuffed toy chimp is] based on a live model does not deprive [him] . . . of the necessary amount of originality." *Rushton v. Vitale*, 218 F.2d 434, 436 (2d Cir. 1955); see also, *Dollcraft Industries, Ltd. v. Well-Made Toy Mfg.*, 479 F.Supp. 1105 (E.D.N.Y.1978) (stuffed toy lambs and bunnies); *R. Dakin & Co. v. A & L Novelty Co., Inc.*, *supra* (stuffed toy fish, frogs, and monkeys.) Kamar's copyright cannot be invalidated on this ground.

C. *Improper Notice*

[4] Neither can the copyright be invalidated for lack of proper notice. Berrie argues that because pictures of the copyrighted animals appeared in catalogues that did not contain a copyright notice, the animals were thrust in the public domain. He cites as authority 17 U.S.C. § 10 (1909 Copyright Act).¹ Section 10 requires that a notice of copyright be affixed "to each copy [of the work] thereof published or offered for sale in the United States by the authority of the copyright proprietor. . . ." The argument misses the point of §10.

Kamar's catalogue pictures of its wares are not "copies" of the work within the meaning of § 10. Under the 1909 Copyright Act, "[a] a copy is that which come so near to the original as to give every person seeing it the idea created by the original." . . . [It is] a tangible thing . . . the publication and duplication of which it is the purpose of the statute to protect . . . " *White-Smith Music Co. v. Apollo Co.*, 209 U.S. 1, 17, 28 S.Ct. 319, 323, 52 L.Ed. 655 (1908) (Congress implicitly adopted this

¹The 1909 Act rather than the 1976 Copyright Act applies in this case because the matters herein alleged occurred prior to the 1976 Act coming into force.

definition in the 1909 Copyright Act.) See 1 *Nimmer on Copyright* § 2.03[B] at 2-29 (1981).

In this case, the catalogue pictures are not copies of what was copyrightable in Kamar's work. That which was original, and copyrightable was the special texture and design of the stuffed animals. Photographs of the soft sculptures do not give viewers the idea created by the original; nor are the pictures the tangible things, the reproduction of which it is the purpose of the statute to protect. Distributing uncopyrighted pictures of the toys does not, therefore, invalidate Kamar's copyright. Berrie's point on this issue is not well taken. Cf. 1 *Nimmer on Copyright*, § 2.18[H][2] at 2-211 (1981) (three-dimensional copies of copyrighted illustrations do not constitute infringements).

II. Infringement.

[5, 6] Infringement is established by copying. *Sid & Marty Krofft Television v. McDonald's Corp.*, 562 F.2d 1157, 1162 (9th Cir. 1977). Because, however, the act of copying is rarely witnessed, copying is ordinarily established indirectly. The plaintiff demonstrates that the defendant had access to the copyrighted items, and that the defendant's product is substantially similar to plaintiff's work. Once this is done, the burden shifts to the defendant to prove his work was not copied, but independently created. See generally, 3 *Nimmer on Copyright*, Chpt. 13 (1981).

Berrie contends he had no access to Kamar's work, and that his stuffed animals are not substantially similar to Kamar's toy animals. Thus, he argues, even if Kamar's copyrights are valid, he has not infringed them. The district court agreed. The court misconceived the effect of the evidence.

[7] In one finding, the court "found" that Berrie had no access to any of Kamar's stuffed toys. Yet in Finding 17 the court found that Berrie did business with the same Korean stuffed animal manufactures employed by Kamar to make Kamar's stuffed animals. Under the cases, this evidence along demonstrates access. Proof of access requires only "an opportunity to view or to copy plaintiff's work." *Sid & Marty Krofft Television v. McDonald's Corp.*, *supra*, at 1172. And "evidence that a third party with whom both the plaintiff and defendant were dealing had possession of plaintiff's work is sufficient to establish access by the defendant . . ." 3 *Nimmer on Copyright* § 13.02[A] at 13-11 (1981), citing *DeAcosta v. Brown*, 146 F.2d 408 (2d Cir. 1944), *cert. denied*, 325 U.S. 862, 65 S.Ct. 1197, 89 L.Ed. 1983 (1945). The court was, therefore, in error in failing to shift to Berrie the burden of proof.

[8] The court failed to find similarity between Berrie and Kamar's stuffed toy animals. The court used too strict a test. The test in this circuit for substantial similarity is the two-part test propounded in *Sid & Marty*

Krofft Television, supra, at 1163–64. Professor Nimmer explains it correctly as follows:

“Under *Krofft* there are . . . two steps in the analytic process. First there is the issue of whether there is substantial similarity as to the ‘general ideas’ contained in the two works. This is to be resolved by what the *Krofft* court labels the ‘extrinsic test,’ in that this determination turns ‘not on the responses of the trier of fact, but on specific criteria which can be listed and analyzed.’ These criteria are said to include not only ‘the subject matter, and the setting for the subject’, which do go to the issue of idea similarity, but also [to] . . . ‘the type of artwork involved, [and] the materials used.’ In applying the extrinsic test the *Krofft* court concluded that ‘analytic dissection and expert testimony are appropriate.’ Having found such idea similarity, the second step in the analytic process requires that the trier of fact then decide ‘whether there is substantial similarity in the expressions of the ideas so as to constitute infringement.’ This is to be determined by what *Krofft* labels the ‘intrinsic test,’ in that it depends ‘on the response of the ordinary reasonable person.’ In applying the intrinsic test, ‘analytic dissection and expert testimony’ are said to be ‘not appropriate . . . ” 3 *Nimmer on Copyright*, § 13.03[E] at 13–49 (1981).

The court below made no mention of *Krofft*, and nowhere does it employ the two-part test *Krofft* mandates. No findings of fact can be so construed. The only finding the court made on similarity indicates that the court used the analytic dissection method condemned by *Krofft*, or rather permitted by *Krofft* for the “extrinsic” test part only.

The cause must be remanded to the trial court for a specific decision upon the validity of the copyright, using the standards for validity described above; and for a reexamination of the question of infringement based upon the *Krofft* standards.

III. *The Lanham Act Issue.*

Kamar’s second cause of action was brought under the Lanham Act, which is § 43(a) of the Trademark Act of July 5, 1946. *See* 15 U.S.C. § 1125(a). Kamar alleged that:

“Since on or before July 1977, defendants jointly and severally acquired stuffed animals made and sold by plaintiffs under the copyrights annexed hereto . . . and cut the plaintiffs’ labels off of them or made exact copies of them and offered them for sale and sold them at gift fairs in Los Angeles, California, within the jurisdiction of this Court and elsewhere. Defendants threaten to continue said infringing, unfair practices, and false designation or [sic] origin, until and unless enjoined therefrom by this Court.”

At the conclusion of the trial, the court concluded that the “[d]efendants have committed no acts which violate any provisions of the United States Trademark Act . . . ” and that “[d]efendants have committed no acts which constitute unfair competition with plaintiffs.” The findings which support these conclusions state that “[t]he Court finds that the testimony

and exhibits illustrate the existence of one or more of the following significant differences in visual characteristics between respective pairs of plaintiffs' and defendants' soft sculptures . . ." and that "[d]efendants did not remove any of plaintiffs' labels from plaintiffs' purportedly copyrighted soft sculptures and market same upon the representation that the soft sculptures were those of defendants."

[9] In the reviewing the district court's findings, we must sustain them unless they are clearly erroneous. Fed.R.Civ.P. 52(a). Both the testimony and the exhibits support a finding that the defendants did not make *exact* copies of Kamar's toys; there were at least insignificant differences in the respective "soft sculptures."² Nor was the finding that Kamar had not proved that Berrie cut labels from Kamar's toys clearly erroneous. Thus, because Kamar did not prove either of its allegations—(1) that Berrie cut out Kamar's labels; or (2) that Berrie sold exact copies of Kamar's toys—the district court correctly found that Kamar had not prevailed on its Lanham Act claim.

[10] Kamar's arguments on appeal might be construed to say that because Berrie distributed under the Berrie label soft sculptures which were "substantially similar" to Kamar's, Berrie violated the Lanham Act. These arguments were not made to the court below. Therefore, we will not consider them. *See, e.g., Singleton v. Wulff*, 428 U.S. 106, 120–21, 96 S.Ct. 2868, 2870, 49 L.Ed.2d 826 (1976).³ We express no opinion whether such an allegation would adequately state a claim for violation of the Lanham Act. *Cf. Smith v. Montoro*, 648 F.2d 602, 606–07 (9th Cir. 1981) (holding that a cause of action exists for express passing off where the plaintiff's mark is actually removed from *his* product).

Accordingly, the judgment is AFFIRMED with respect to the Lanham Act count, and VACATED and REMANDED with respect to the copyright cause of action.

²We have considered only whether the district court's finding that Kamar did not prove that Berrie made *exact* copies was clearly erroneous. We have not reviewed whether those differences are "significant" because the trier of fact did not employ the correct test for determining similarity.

³This is not a case where an issue not raised by the pleadings was tried by the express or implied consent of the parties. *See* Fed.R. Civ.P. 15(b); *Dunn v. Trans World Airlines, Inc.*, 589 F.2d 408, 412–13 (9th Cir. 1978). Berrie did not expressly or impliedly consent to trial of such a question. None of the proceedings below put Berrie on notice that such a theory was being asserted. We therefore do not consider it. *See Gonzales v. United States*, 589 F.2d 465, 469–70 (9th Cir. 1979); *R.A. Pohl Const. Co. v. Marshall*, 640 F.2d 266, 267 (10th Cir. 1981); *Mineral Industries Etc. v. Occupational Safety*, 639 F.2d 1289, 1293 (5th Cir. 1981); *Browning Debenture Holders' Committee v. DASA Corp.*, 560 F.2d 1078, 1086 (2nd Cir. 1977).

KANAKOS v. MX TRADING CORP., et al.

No. 81 Civ. 4632

(United States District Court, S. D. New York—Decided September 16, 1981)

216 USPQ 1030

Action by John Kanakos, also known as Johnny Kaye, against MX Trading Corp., and Corniche Sportswear, Ltd., for copyright infringement and breach of contract. On defendants' motion to dismiss. Motion denied.

COPYRIGHTS**1. Jurisdiction of courts—Copyrights**

Simply because dispute concerns copyright, it does not mean that resulting litigation is one arising under copyright statutes, conferring federal jurisdiction pursuant to 28 USC 1338; action "arises under" Copyright Act if and only if complaint is for remedy expressly granted by Act, such as suit for infringement or for statutory royalties for record reproduction, or asserts claim requiring construction of Act, or, at very least and perhaps more doubtfully, presents case where distinctive policy of Act requires that federal principles control disposition of claim; general interest that copyrights, like all other forms of property, should be enjoyed by their true owner is not enough to meet this last test.

2. Jurisdiction of courts—Copyrights

Where licensee utilizes copyrighted work in manner or to extent not authorized by license agreement, licensee's position is no different from that of infringer having no contractual relationship with holder of copyright; resulting cause of action in both cases is one for copyright infringement, and claims against both arise under copyright statutes.

Moss & Kalish, New York, N.Y., (Gary N. Moss and Mark L. Kalish, both of New York, N.Y., of counsel) for plaintiff.

Gottlier, Rackman & Reisman, P.C. and Silverberg, Feingertz, Stonehill & Goldsmith, P.C., both of New York, N.Y., (George Gottlieb and Michael B. Goldsmith, both of New York, N.Y. of counsel) for defendants.

CONNER, *District Judge*. Plaintiff, a New York domiciled professional photographer, seeks damages and injunctive relief against defendants—two apparently related New York corporations—for alleged infringement of plaintiff's copyright, 17 U.S.C. §§ 501 and 106, infringing importation of copies of plaintiff's copyrighted work, 17 U.S.C. §§ 501 and 602, and breach of contract. Jurisdiction is purportedly predicated upon 28 U.S.C. § 1338 (which grants to federal district courts exclusive original jurisdiction over civil actions arising under federal statutes relating to copyrights), and also upon principles of pendent jurisdiction. Defendants, however, have moved to dismiss the complaint on the ground that this Court lacks subject matter jurisdiction over the action, Rule 12(h), F.R.Civ.P. For the reasons which follow, the motion is denied.

The complaint alleges that in May 1980 the parties entered into an oral agreement by which plaintiff agreed to photograph a model named Jennifer Eiser, in connection with defendants' object of creating a poster depicting Ms. Eiser garbed in jeans produced by defendants under their "Corniche" label. On the condition that plaintiff produce an acceptable photograph, plaintiff agreed to provide defendants with the selected slide and to license defendants to make one "run" of posters from the slide. For reasons that are neither undisputed nor presently material, plaintiff was not to be monetarily compensated for these efforts. However, defendants allegedly agreed that any such "run" would be in accordance with stipulated procedures so as to insure quality reproductions, and that all posters would contain both a copyright notice and a credit line to plaintiff. Plaintiff claims to have specifically reserved his exclusive copyright to the photographs, and it was contemplated that defendants would compensate plaintiff in the event they required additional "runs" of the selected slide or otherwise employed plaintiff in connection with other projects.

From the series of plaintiff's photographs, defendants selected one entitled, "Jennifer at Beach," and plaintiff accordingly delivered this slide to defendants for the purpose of permitting them to make a single "run" of posters. However, the complaint continues, defendants have acted both beyond their rights and in contravention of their obligations under the agreement by:

- (1) refusing to return the "Jennifer at Beach" slide to plaintiff, despite his repeated demands;
- (2) utilizing the photograph to advertise "Corniche" jeans by way of media advertising, including newspapers;
- (3) making additional "runs" from the slide in order to print additional posters;
- (4) failing to include a credit line on the posters;
- (5) failing to include a copyright notice on the posters; and
- (6) producing posters of inferior quality and not in accordance with the stipulated procedures.

Discussion

[1] Simply because a dispute concerns a copyright, it does not mean that the resulting litigation is one "arising under" the copyright statutes, conferring federal jurisdiction pursuant to 28 U.S.C. § 1338. As the Court of Appeals for this Circuit has held,

"* * * an action 'arises under' the Copyright Act if and only if the complaint is for a remedy expressly granted by the Act, e.g., a suit for infringement or for the statutory royalties for record reproduction, * * *, or asserts a claim requiring construction of the Act, * * *, or, at the very least and perhaps more doubtfully, presents a case where a distinctive policy of the Act requires that federal principals

control the disposition of the claim. The general interests that copyrights, like all other forms of property, should be enjoyed by their true owner is not enough to meet this last test."

T. B. Harms Co. v. Eliscu, 339 F.2d 823, 828, 144 USPQ 46, 50 (2d Cir. 1964), cert. denied, 381 U.S. 915, 145 USPQ 743 (1965).

Defendants contend that plaintiff's claims fall without the ambit of this jurisdictional standard. According to defendants, plaintiff's claims are only that (1) the posters were not of acceptable quality as measured by industry standards, (2) defendants failed to give plaintiff a credit line and affix a copyright notice on the posters, and (3) defendants failed to negotiate a fair price for additional runs of the poster. These allegations, argue defendants, amount only to state law claims for breach of contract and do not support an action for copyright infringement.

Defendants rely upon the decision of Judge Edward Weinfeld of this Court in *Stepdesign, Inc. v. Research Media, Inc.*, 442 F. Supp. 32, 200 USPQ 77 (S.D.N.Y. 1977). There, plaintiff had assigned its copyright to defendant, but then sued for infringement, claiming that defendant's failure to make certain payments to plaintiff and to give plaintiff proper authorship credit had worked a forfeiture of the assignment. Defendant's motion to dismiss for lack of subject matter jurisdiction was granted, the Court concluding that the substance of the claim was an action for breach of contract. Plaintiff's copyright infringement claim was entirely dependent upon its position that the copyright interest reverted to plaintiff as a result of the alleged contractual breach.

[2] Were plaintiff's claims only as defendants describe them, I would agree that their consideration in the Court would be barred for the reasons set forth in *Stepdesign*.¹ Defendants, however, have been unfairly selective in the summary of the factual predicates of plaintiff's claim of copyright infringement. Defendants ignore plaintiff's charges that they have utilized the slide in a manner and to an extent never authorized by the oral agreement, e.g., by making additional "runs" of the slide and by utilizing the photograph in media advertising. These claims, unlike plaintiff's other

¹But cf. *Frankel v. Stein and Day Inc.*, 470 F. Supp. 209, 205 USPQ 51 (S.D.N.Y. 1979). In *Frankel*, the plaintiffs had licensed to the defendant the use of the copyrighted work, but claimed that the licensed rights had reverted to the plaintiffs as a result of certain contractual breaches. The defendants moved to dismiss for lack of subject matter jurisdiction, contending that the plaintiff's claim was in reality an action to enforce a contract and not for copyright infringement. Judge Lasker denied the motion, concluding that the plaintiff's infringement claim was not dependent upon resolution of any contractual issues, where the contract specified that the copyright interest was at all times held by the plaintiffs, the defendant's failure to carry out its obligations under the contract was undisputed, and the contract specifically provided for reversion to the plaintiffs of the licensed rights in the event of such a failure. Here, by comparison the questions of defendants' obligations under the contract and the propriety of reversion of the license in the event of defendants' failure to perform are very much at issue.

claims and unlike those in Stepdesign, do not depend upon establishing a breach of contract by defendants, for plaintiff avers that these rights infringed by defendants were never assigned to defendants or to anyone else. Where a licensee utilizes a copyrighted work in a manner or to an extent not authorized by the license agreement, the licensee's position is no different from that of an infringer having no contractual relationship with the holder of the copyright. In both cases, the resulting cause of action is one for copyright infringement, and the claims against both arise under the copyright statutes.

In apparent recognition of this principle, defendants in their reply memorandum ask the Court to disregard plaintiff's allegations of unauthorized use of the photograph, pointing to an affidavit of their principal, submitted in connection with another motion in this action, in which the affiant denies that there has been more than one printing of the poster. The task here, however, is not to pass upon the merits of plaintiff's claims, but rather simply to determine whether this Court has jurisdiction over such claims. Accordingly, plaintiff's well-pleaded allegations are taken as true for purposes of the instant motion.²

Defendant's motion to dismiss is DENIED.

SO ORDERED.

S. L. KAYE CO., INC., Plaintiff, v. DULCES ANAHUAC, S.A.,
Defendant

No. 80 Civ. 5651 (CBM)

(United States District Court, S. D. New York—February 17, 1981)

524 F.Supp. 17. 214 USPQ 283

New York candy corporation brought action against foreign corporation, which had previously instituted an action against plaintiff in New York state court, alleging breach of an exclusive contract, unfair competition, and violation of New York and federal statutes. On defendant's motions to strike and to dismiss, the District Court, Motley, J., held that: (1) in light of plaintiff's affidavits, allegations in plaintiff's complaint were not clearly without

²This is not to imply that plaintiff's claim upon this Court's jurisdiction is, by this decision, insulated from any further assault by defendants. If, for example, defendants were to move successfully for summary judgment on the factual claims upon which this Court assumes jurisdiction over the entire action, the issue of subject matter jurisdiction would once again surface for consideration. See *United Mine Workers v. Gibbs*, 383 U.S. 715, 726 (1966).

factual support; (2) cited counts of the complaint clearly stated claims under New York and federal law; (3) since plaintiff could not have brought its United States label and box copyright claims against defendant as a counterclaim in defendant's New York state court action, District Court lacked personal jurisdiction over defendant as to those claims; and (4) there was no more convenient forum for the action than New York.

Motions granted in part and denied in part.

1. Federal Civil Procedure

A pleading should not be stricken unless it appears beyond doubt that it is sham and false. Fed.Rules Civ.Proc. Rule 11, 28 U.S.C.A.

2. Federal Civil Procedure

In light of plaintiff's affidavits in action in which it alleged that defendant violated exclusivity contract by selling candy in New York, such allegations were not clearly without factual support and defendant's motion to strike those allegations was denied. Fed.Rules Civ.Proc. Rule 11, 28 U.S.C.A.

3. Federal Civil Procedure

A complaint should not be dismissed unless it appears beyond a doubt that plaintiff can prove no set of facts in support of his claim which would entitle him to relief. Fed.Rules Civ.Proc. Rule 12(b)(6), 28 U.S.C.A.

4. Federal Civil Procedure

Taking as true plaintiff's allegations that defendant violated exclusivity contract regarding sale of candy, cited counts of the complaint clearly stated claims under New York and federal law and were not to be dismissed. Fed.Rules Civ.Proc. Rule 12(b)(6), 28 U.S.C.A.

5. Federal Courts

Personal jurisdiction over a foreign corporation is governed by law of forum state.

6. Courts

Since federal courts have exclusive subject matter jurisdiction over copyright actions, plaintiff, under New York law, could not have asserted its United States label and box copyright claims against foreign corporation in foreign corporation's New York state court action and, therefore, federal court lacked personal jurisdiction over the foreign corporation as to those claims. N.Y.CPLR 303; 28 U.S.C.A. § 1338.

7. Federal Courts

Foreign corporation's activities in New York indicated that New York was not district in which it resided or could be found, and thus venue was improper in New York as to plaintiff's copyright claims. 28 U.S.C.A. §§ 1391(c), 1400(a).

8. Courts

New York was not an inconvenient forum for adjudication of New York corporation's claims against foreign corporation for violations of New York and federal law arising largely out of acts allegedly committed by defendant in New York where all of plaintiff's records and most of its witnesses were located in New York and where defendant had instituted an action, which was still pending, against plaintiff in New York state court.

Yuter, Rosen & Dainow by S. C. Yuter, New York City, Mitchell R. Katzman, New York City, for plaintiff.

Raymond, Schneider, Frank & Feldman by George A. Spadaro, Nicholas J. Spadaro, New York City, for defendant.

MEMORANDUM OPINION

MOTLEY, *District Judge*. Plaintiff, S. L. Kaye Co., Inc. (SLK), alleges in its twelve count complaint that defendant, Dulces Anahuac (Dulces), sold or offered to sell a candy packed in a bag and box similar in design to a bag and box designed by SLK, thereby (1) breaching an exclusive rights contract between the parties; (2) committing the tort of unfair competition; (3) violating the New York misappropriation and dilution statute, § 368-d of the General Business Law; (4) violating the federal false designation of origin statute, 15 U.S.C. § 1125(a), and copyright laws; and (5) violating the copyright laws of England and France. Dulces moved to strike two paragraphs of the complaint pursuant to Rule 11 of the Federal Rules of Civil Procedure, to dismiss three counts of the complaint pursuant to Rule 12(b)(6) for failure to state a claim upon which relief may be granted, to dismiss two counts pursuant to Rule 12(b)(2) for lack of personal jurisdiction, and to dismiss the remaining counts pursuant to the doctrine of *forum non conveniens*. On January 9, 1981, this court heard oral argument of Dulces' motions and denied them. The court now amends its order of January 9, 1981 to dismiss SLK's United States copyright claims for lack of personal jurisdiction. The reasons for the court's decision are set forth below.

SLK is a New York corporation with its principal place of business in New York City which imports and distributes confectionary products. Dulces is a Mexican manufacturer of confectionary products for domestic consumption and export. SLK's complaint alleges that on May 13, 1977, following extensive negotiations conducted in New York, it entered into an exclusivity contract with Dulces whereby SLK, in consideration of its development of business with Dulces, retained exclusive world rights, excepting the local Mexican market, of specified candy articles. One of these articles was a children's candy consisting of a lollipop and sugar crystals packed in a bag and display box allegedly designed and improved by SLK.

On May 30, 1980, Dulces sued SLK in the Supreme Court of New York, New York County, to recover \$33,230.44 which it claimed represented the unpaid purchase price of goods sold and delivered to SLK. On October 3, 1980, SLK filed the instant action in this court and personally served the summons and complaint upon the attorneys appearing for Dulces in the state court action pursuant to § 303 of the New York Civil Practice Law and Rules (CPLR). SLK claims that Dulces breached the alleged exclusivity contract and violated SLK's trademark and other rights by selling and offering to sell the lollipop-sugar candy in the United States, England and France.

Dulces first moved to strike paragraphs 7 and 29 of the complaint pursuant to Rule 11 which reads in relevant part:

"The signature of an attorney constitutes a certificate by him that he has read the pleading; that to the best of his knowledge, information and belief there is good ground to support it; and that it is not interposed for delay. If a pleading . . . is signed with intent to defeat the purpose of this rule, it may be stricken as sham and false and the action may proceed as though the pleading had not been served."

Paragraph 7 of the complaint alleges the signing of the exclusivity contract by SLK's president, Mr. Katzman, in New York and Dulces' export manager and administrator, Mr. Menendez and Mr. Cordeiro, in Mexico. Paragraph 29 alleges that, upon information and belief, Dulces has sold and offered to sell SLK's bagged lollipop-candy and display box in New York.

In support of its motion, Dulces submitted affidavits sworn to by Menendez and Cordeiro which denied that the parties entered into an exclusivity contract and that Dulces has sold or offered to sell candy in New York, other than its sales to SLK. SLK responded with an affidavit of Mr. Katzman which states that Menendez and Cordeiro executed an exclusivity contract as representatives in behalf of Dulces and with affidavits of the presidents of two New York trading companies which state that Dulces mailed them samples of the allegedly infringing candy.

[1, 2] A pleading should not be stricken pursuant to Rule 11 unless it appears beyond doubt that it is sham and false; otherwise "it would deprive a party of his right to a trial of the issues posed by his complaint—it would mean trial by affidavits." *Murchison v. Kirby*, 27 F.R.D. 14, 19 (S.D.N.Y. 1961). In light of SLK's affidavits, the court cannot accept Dulces' argument that SLK's allegations in paragraphs 7 and 29 are clearly without factual support. The truth of these allegations should be determined by the sufficiency of the evidence which SLK adduces at trial. Accordingly, Dulces' motion to strike paragraphs 7 and 29 is denied.

Dulces' motion to dismiss counts I, II, III and portions of count VII of the complaint for failure to state a claim upon which relief may be granted was premised on the court's granting of its motion to strike. Dulces argues that if the court concluded that there was no factual basis for SLK's allegations that Dulces sold or offered to sell the infringing articles in New York or entered into an exclusivity contract, then SLK's claims for violation of the New York misappropriation and dilution statute and for breach of contract would have to be dismissed for failure to state a claim.

[3, 4] In deciding a motion to dismiss pursuant to Rule 12(b)(6), the court must construe the complaint in the light most favorable to the plaintiff and take the allegations as true. *Scheuer v. Rhodes*, 416 U.S. 232, 94 S.Ct. 1683, 40 L.Ed.2d 90 (1974); *Fine v. City of New York*, 529 F.2d 70 (2d Cir. 1975). It is well-settled rule that the complaint should not be dismissed unless "it appears beyond a doubt that the plaintiff can prove no set of facts in support of his claim which would entitle him to relief." *Conley v. Gibson*, 355 U.S. 41, 45-46, 78 S.Ct. 99, 101-02, 2 L.Ed.2d 80 (1957). The court's denial of Dulces' motion to strike plaintiff's allegations necessitates the denial of Dulces' motion to dismiss for failure to state a claim since, if SLK's allegations are taken as true, the cited counts of the complaint clearly state claims under New York and federal law.

Dulces also contends that SLK's federal copyright claims should be dismissed for lack of jurisdiction over the person of Dulces. SLK instituted this suit by serving Dulces' attorneys appearing in the state court action pursuant to CPLR § 303. Section 303 provides that the commencement of an action in the state by a person not subject to personal jurisdiction constitutes a designation by such person of his attorney as agent for service of a summons in any separate action in which the defendant in the first action seeks recovery against another party to the action, if the separate action would have been permitted as a counterclaim had the action been brought in the New York Supreme Court. Dulces argues that since the federal courts have exclusive subject matter jurisdiction over copyright actions under 28 U.S.C. § 1338, and the copyright claims, therefore, could not have been brought as counterclaims in the state court, SLK has failed to meet the requirements of § 303 with respect to its copyright claims.

[5-7] Personal jurisdiction over a foreign corporation is governed by the law of the forum state. *Arrowsmith v. United Press International*, 320 F.2d 219, 223 (2d Cir. 1963). A federal court must examine the issue of personal jurisdiction separately for each cause of action asserted by the complaint to determine whether the requirements of the relevant jurisdictional statute are met. Those claims which do not provide a sufficient basis for personal jurisdiction under the CPLR should be dismissed. *Sterling Television Presentations v. Shintron Co.*, 454 F.Supp. 183, 186 (S.D.N.Y.1978); *R. F. D. Group Limited V. Rubber Fabricators, Inc.*, 323 F.Supp. 521 (S.D.N.Y.1971). The court, therefore, grants Dulces' motion to dismiss SLK's United States label and box copyright claims since this court lacks personal jurisdiction over Dulces as to these claims.¹

[8] Finally, Dulces moved to dismiss Counts IV through XII of the complaint on the ground that this district is an inconvenient forum for the adjudication of these claims. Having denied Dulces' motion to dismiss for failure to state a claim upon which relief may be granted, the court must also deny this motion. SLK's claims for violations of New York and federal law arise largely out of acts allegedly committed by Dulces in New York. All of SLK's records and most of its witnesses are located in New

¹The court also notes that venue is improper in this district as to SLK's copyright claims since 28 U.S.C. § 1400(a) provides that civil actions for infringement of copyright "may be instituted in the district in which the defendant or his agent resides or may be found." Under 28 U.S.C. § 1391(c), a corporation is a resident of "any judicial district in which it is incorporated or licensed to do business or is doing business. . . ." A corporation is "found" in any district in which it is engaged in the same type of "systematic and continuous activity" necessary to make it "present" in that district. *Mode Art Jewelers Co. v. Expansion Jewelry Ltd.*, 409 F.Supp. 921 (S.D.N.Y.1976). It appears from the papers before the court that Dulces' activities in New York do not meet these standards. Dulces, however, waived this defense of improper venue since it did not raise it by motion or in a responsive pleading. Fed.R.Civ.P. 12(h).

York. It can hardly be said that SLK chose New York as a forum in order to harass, oppress or inconvenience Dulces when Dulces itself instituted an action, still pending against SLK, in the New York Supreme Court. The court finds that there is no more convenient forum for this action than New York.

Accordingly, Dulces' motions to strike paragraphs 7 and 29 of the complaint and to dismiss counts of the complaint pursuant to Rule 12(b)(6) and the doctrine of forum nonconveniens are DENIED. Dulces' motion to dismiss Counts V and VII of the complaint for lack of personal jurisdiction is GRANTED.

SO ORDERED.

William Bradford **KEITH**, a/k/a Bill Keith, Plaintiff, v. Earl **SCRUGGS**, Louise Scruggs, Earl Scruggs and Son, Inc., and Peer International Corporation, Defendants

No. 80 Civ. 5095 (GLG)

(United States District Court, S. D. New York—February 25, 1981)

507 F.Supp. 968. 212 USPQ 683

Action was instituted on complaint for breach of contract, breach of fiduciary duty, interference with advantageous relationships, actual and constructive fraud, co-ownership of literary property, and co-ownership of a federal copyright. On motion of defendants to dismiss, the District Court, Goettel, J., held that: (1) the one federal claim presented in the complaint, that plaintiff should be declared a co-owner of federal copyrights in music obtained by corporate defendant, was insufficient to state a claim which arose under the copyright laws, and (2) the gist of plaintiff's claim against individual defendant was breach of contract, resolution of which depended upon conversations between parties, terms of their alleged oral contract, and monies which plaintiff received from defendant, and involved a matter of state law which was more appropriately adjudicated in state court.

Motion granted.

1. Federal Courts

The one federal claim presented in the complaint, that plaintiff should be declared a co-owner of federal copyrights in music obtained by corporate defendant, was insufficient to state a claim which arose under the copyright laws. 28 U.S.C.A. § 1338; 17 U.S.C. (1976 Ed.) § 1 et seq.; 17 U.S.C.A. § 101 et seq.

2. Federal Courts

Actions to establish title do not arise under the copyright laws. 28 U.S.C.A. § 1338; 17 U.S.C. (1976 Ed.) § 1 et seq.; 17 U.S.C.A. § 101 et seq.

3. Federal Courts

Although plaintiff listed various issues in his brief that might require construction of copyright laws with respect to musical compositions in question, where he did not fully explain how issues might arise and did not, in any event, allege facts underlying them in his complaint, plaintiff failed to state a claim arising under the copyright laws. 28 U.S.C.A. § 1338; 17 U.S.C. (1976 Ed.) § 1 et seq.; 17 U.S.C.A. § 101 et seq.

4. Federal Courts

That a question of copyright law may arise does not ipso facto create federal jurisdiction. 28 U.S.C.A. § 1338; 17 U.S.C. (1976 Ed.) § 1 et seq.; 17 U.S.C.A. § 101 et seq.

5. Federal Courts

To extent that issues raised by plaintiff in his brief anticipated possible defenses, such as fact that individual defendant claimed plaintiff was paid for his contribution and was, therefore, a worker for hire, issues could not be relied upon to establish a federal question under copyright laws. 28 U.S.C.A. § 1338; 17 U.S.C. (1976 Ed.) § 1 et seq.; 17 U.S.C.A. § 101 et seq.

6. Courts

The gist of plaintiff's claims against individual defendant was breach of contract, resolution of which depended upon conversations between parties, terms of their alleged oral contract; and monies which plaintiff received from defendant, and involved a matter of state law which was more appropriately adjudicated in state court.

7. Courts

Title claim against corporate defendant with respect to musical compositions would be resolved under general common law and equitable principles and, as such, belonged in state court.

Herbert I. Deutsch, New York City, for plaintiff by Kramer & Salus, Philadelphia, Pa., of counsel.

Kaye, Scholer, Fierman, Hays & Handler, New York City, for defendants by Mark Landau, New York City, of counsel.

OPINION

GOETTEL, *District Judge*. The events that form the basis of this action date back to 1963. Plaintiff William Bradford Keith ("Keith"), then a college student and avid admirer of defendant Earl Scruggs ("Scruggs"), an internationally renowned banjo player, approached Scruggs with a collection of "tablature" transcriptions of Scruggs's music that Keith had written and assembled. Plaintiff alleges that, on Scruggs's invitation, he entered into an oral agreement with Scruggs whereby he agreed to assist in the preparation of a banjo instruction book and record album in exchange for a share of the profits and royalties to be realized from these works. Defendant Peer International Corporation ("Peer"), which had a long-standing business relationship with Scruggs, purchased the rights to the manuscript and record from Scruggs and subsequently published them in the late 1960's.

Plaintiff commenced this action on September 8, 1980, against Scruggs and Peer, alleging six separate causes of action including breach of contract, breach of fiduciary duty, interference with advantageous relationship, actual and constructive fraud, co-ownership of literary property, and co-ownership of a federal copyright. He predicates federal jurisdiction upon 28 U.S.C. § 1338, claiming that the action "arises under" the Copyright Act of 1909, 17 U.S.C. § 1 *et seq.* (1976), and the Copyright Act of 1976, 17 U.S.C. § 101 *et seq.* (Supp. III 1979). *See generally* 3 *Nimmer on Copyright* § 12.01 (1980).

Defendants have moved to dismiss for lack of subject matter jurisdiction pursuant to Fed.R.Civ. P. 12(b)(1). (There is no diversity jurisdiction.) They argue that none of plaintiff's claims "arise under" the copyright laws. This Court agrees. Accordingly, for the reasons set out below, the motion is granted and the action is dismissed.

Whether an action "arises under" the copyright laws concerns a murky area of the law. *Royalty Control Corp. v. Sanco, Inc.*, 175 U.S.P.Q. (BNA) 641, 642 (N.D.Cal. 1972). The oft-cited rule, as set forth in Judge Friendly's opinion in *T. B. Harms Co. v. Eliscu*, 339 F.2d 823 (2d Cir. 1964), *cert. denied*, 381 U.S. 915, 85 S.Ct. 1534, 14 L.Ed.2d 435 (1965), is that:

an action "arises under" the Copyright Act if and only if the complaint is for a remedy expressly granted by the Act, e.g., a suit for infringement . . . , or asserts a claim requiring construction of the Act, . . . or, at the very least and perhaps more doubtfully, presents a case where a distinctive policy of the Act requires that federal principles control the disposition of the claim.

Id. at 828. *See also* *Elan Associates, Ltd. v. Quackenbush Music, Ltd.*, 339 F.Supp. 461 (S.D.N.Y.1972).

To determine whether the claim "arises under" the copyright laws, the Court must look to the essence of the plaintiff's claim. *See Newman v. Crowell*, 205 U.S.P.Q. (BNA) 517, 519 (S.D.N.Y.1979). The federal question " 'must be disclosed upon the face of the complaint' " and " 'must be an element, and an essential one, of the plaintiff's cause of action.' " *Phillips Petroleum Co. v. Texaco Inc.*, 415 U.S. 125, 127, 94 S.Ct. 1002, 1003, 39 L.Ed.2d 209 (1974) (quoting *Gully v. First National Bank*, 299 U.S. 109, 112, 113, 57 S.Ct. 96, 97, 98, 81 L.Ed. 70 (1936)).

[1, 2] Plaintiff's complaint presents only one federal claim: that plaintiff should be declared a co-owner of the federal copyrights obtained by defendant Peer. Courts in this circuit have held that actions to establish title do *not* "arise under" the copyright laws. In *Newman v. Crowell*, *supra*, for example, the plaintiff alleged that he was a co-author of a "rock 'n roll encyclopedia." Judge Stewart, ruling that there was no federal jurisdiction, held that "[a]n action to establish title is not one 'arising under' the Copyright Act so as to give the federal courts jurisdiction." 205 U.S.P.Q. (BNA) at 519. Similarly, in *Harrington v. Mure*, 186 F.Supp. 655

(S.D.N.Y. 1960), the plaintiff sought a declaration of his rights as an alleged co-author of a musical composition. Judge Palmieri dismissed the action for lack of federal jurisdiction, noting that the plaintiff's action should have been brought in state court. *Id.* at 658

[3-5] Plaintiff attempts to distinguish these cases by listing various issues that may require construction of the copyright laws, citing *Royalty Control Corp. v. Sanco, Inc.*, *supra*. However, although plaintiff lists these potential issues in his brief, he does not allege the facts underlying them in his complaint, as required by *Phillips Petroleum Co. v. Texaco Inc.*, *supra*. Moreover, even in his brief, he does not fully explain how these issues may arise. That questions of copyright law may arise does not *ipso facto* create federal jurisdiction. See 3 *Nimmer on Copyright* § 1201[A] (1980). Moreover, to the extent that these issues anticipate possible defenses (such as the fact that Scruggs claims Keith was paid for his contribution, and was, therefore, a worker for hire), they cannot be relied upon to establish a federal question. See *Phillips Petroleum Co. v. Texaco Inc.*, *supra*, 415 U.S. at 128-29, 94 S.Ct. at 1004; *Warner Bros. Records, Inc. v. R. A. Ridges Distributing Co.*, 475 F.2d 262 (10th Cir. 1973).

[6, 7] The gist of plaintiff's claim against Scruggs is breach of contract. The resolution of this dispute will depend upon the conversations between Keith and Scruggs, the terms of their alleged oral contract, and the monies received by Keith from Scruggs. These matters do not involve federal law and, consequently, are more appropriately adjudicated in state court. Keith's title claim against Peer will be resolved under general common law and equitable principles and likewise belongs in state court. See *Newman v. Crowell*, *supra*, 205 U.S.P.Q. (BNA) at 519; *Elan Associates, Ltd. v. Quackenbush Music, Ltd.*, *supra*, 339 F.Supp. at 462.

In summary, since none of Keith's claims "arises under" the copyright laws, this Court lacks subject matter jurisdiction over the case at bar. Accordingly, the motion to dismiss is GRANTED without prejudice, of course, to plaintiff's right to institute appropriate proceedings in state court.

SO ORDERED.

The MARTIN LUTHER KING, JR. CENTER FOR SOCIAL CHANGE, INC.; Mrs. Coretta Scott King, Administratrix of the Estate of Dr. Martin Luther King, Jr., Deceased; and Motown Record Corp. v. AMERICAN HERITAGE PRODUCTS, INC.; B & S Sales, Inc., a/k/a B & S Sales; and James E. Bolen and James F. Bolen

Civ. A. No. 80-2253A

(United States District Court, N. D. Georgia, Atlantic Division—February 20, 1981)

508 F.Supp. 854. 213 USPQ 540

[See also 250 Ga. 135, 296 S.E.2d 697, 216 USPQ 711, 46 C.O.Bull. 674 (Ga. Sup. Ct., Oct. 28, 1982); 694 F.2d 674, 47 C.O.Bull.—(11th Cir.—*Reversed and remanded*, Jan. 3, 1983)]

Nonprofit corporation administratrix of estate of deceased civil rights leader and holder of copyrights brought action for damages and injunctive relief against corporate defendant which sold plastic busts of decedent and marketed busts using name of nonprofit corporation and excerpts from copyrighted speeches of decedent in its advertisements and other materials. The District Court, Richard C. Freeman, J., held that: (1) defendant's expenditure of sums in furtherance of an alleged copyright violation after plaintiffs had filed complaint against them did not constitute prejudice such as would preclude plaintiffs from amending complaint to add copyright claim; (2) defendant's use of substantial passages from copyrighted creative works of decedent to induce consumers to buy busts and to convey impression that a charitable organization approved of the product was not "fair use" within copyright law; and (3) modest sums decedent had received in form of honorariums for use of his name, likeness, literary compositions and speeches did not amount to commercial exploitation of his name and likeness during his lifetime; thus no right of publicity descended to his estate on his death and commercial exploitation of his likeness through sale of plastic busts would not be enjoined.

Order accordingly.

1. Courts

Commission of negligent act outside state causing injury within state may constitute commission of tortious act within state and furnish jurisdictional base for claim against nonresidents.

2. Courts

Under Georgia's long-arm statute provision allowing Georgia court to exercise personal jurisdiction over nonresident who commits tortious act or omission within state, plaintiff must show that nonresident has purposefully done some act or consummated some transaction within forum, that Georgia plaintiff has legal cause of action in tort against nonresident, arising out of, or resulting from, purposeful activity of defendant involving Georgia and that the exercise of jurisdiction over nonresident is reasonable. Ga.Code. § 24-113.1(a-c).

3. Federal Courts

Nonresidents were subject to long-arm statute of Georgia where the alleged injuries occurred in Georgia as well as in many other states where alleged false advertisements were seen or distributed and product advertised was sold and, in addition, defendants purposefully entered Georgia and contacted plaintiffs in regard to their proposed sales, entered into contract with Georgia corporation for receipt of telephone orders and sold several of products to Georgia residents. Ga.Code, § 24-113.1(a-c).

4. Copyrights and Intellectual Property**Torts****Trade Regulation**

Cause of action in tort was stated for copyright infringement, deceptive trade practices and appropriation of likeness of a deceased civil rights leader. Ga.Code, § 24-113.1(a-c).

5. Constitutional Law**Courts**

Since all of nonresident defendants' contacts with forum were related to, and in furtherance of, tortious acts complained of, it was not unreasonable to ask them to defend suit away from their residence and due process considerations of fairness did not preclude application of forum state's long-arm statute. U.S.C.A.Const. Amendments. 5, 14.

6. Federal Civil Procedure

Generally, amendment of complaint will be permitted unless proposed amendment is totally frivolous or will result in prejudice to defendant. Fed.Rules Civ. Proc. Rule 15, 28 U.S.C.A.

7. Federal Civil Procedure

Defendants' expenditure of sums in furtherance of an alleged copyright violation after plaintiffs had filed complaint against them did not constitute prejudice such as would preclude plaintiffs from amending complaint to add copyright claim. Fed.Rules Civ.Proc. Rule 15, 28 U.S.C.A.

8. Federal Civil Procedure

Simply because amendment to complaint may increase defendants' potential liability is insufficient reason to deny leave to amend. Fed.Rules Civ.Proc. Rule 15, 28 U.S.C.A.

9. Injunction

Preliminary injunction may issue even if defendant asserts a plausible defense.

10. Copyrights and Intellectual Property

Determination of whether a use is "fair" within copyright statute, permitting fair use of copyrighted materials, is essentially a factual inquiry and, although fact that use of work is for commercial gain will not automatically preclude finding of fair use, generally fair use will be more readily recognized where use is for educational, historical or scientific purposes. 17 U.S.C.A. § 107.

11. Copyrights and Intellectual Property

Defendants' use of substantial passages from copyrighted creative works to induce consumers to buy product and to convey impression that a charitable organization approved of the product was not "fair use" within copyright law. 17 U.S.C.A. U.S.C.A. 107.

12. Copyrights and Intellectual Property

Since it appeared that copyright holders were likely to succeed on merits in their copyright infringement action, that they were threatened with irreparable harm from further infringe-

ment, that threatened injury to plaintiffs outweighed harm to defendants and that public interest would not be disserved, immediate preliminary injunction against further printing and distribution of the infringing publications would be granted and infringing copies would be impounded. 17 U.S.C.A. §§ 107, 503(a).

13. Torts

Disparate torts encompassed in right to privacy and recognized in Georgia are: the intrusion upon plaintiff's seclusion, solitude, or private affairs; public disclosure of private facts about plaintiff; publicity which places plaintiff in false light, and appropriation of plaintiff's name or likeness for defendant's advantage, and the courts include both injuries to persons and person's property.

14. Torts

"Right of publicity" is recognized in Georgia as a property right; thus where person appropriates plaintiff's image or name for financial gain, injury constitutes an invasion of property interest, since person has property right in commercial value of his name, likeness and public personality.

15. Torts

Any waiver or right of publicity that may be implied when person seeks public acclaim applies substantially only to newsworthy public comment or disclosures of legitimate public interest.

16. Torts

Individual's right of publicity was not waived by virtue of his celebrity.

17. Injunction Torts

Modest sums civil rights leader received in form of honorariums for use of his name, likeness, literary compositions and speeches did not amount to commercial exploitation of his name and likeness during his lifetime; thus no right of publicity descended to his estate on his death and commercial exploitation of his likeness through sale of plastic busts would not be enjoined.

Archer D. Smith, III, Harmon, Smith & Bridges, Atlanta, Ga., for plaintiffs.

James D. Ruppert, Ruppert, Bronson & Chicarelli, Franklin, Ohio, for defendants.

ORDER

RICHARD C. FREEMAN, *District Judge*. Plaintiffs, The Martin Luther King, Jr. Center for Social Change, Inc. (Center), a non-profit corporation, Mrs. Coretta Scott King, Administratrix of the Estate of Dr. Martin Luther King, Jr. (Estate), and Motown Record Corporation, a holder of certain copyrights, seek a preliminary injunction, Rule 65(a), Fed.R.Civ.P., against defendants. They allege, *inter alia*, that defendant American Heritage Products, Inc. of Franklin, Ohio, is unlawfully manufacturing and selling plastic busts of Dr. King, and marketing the busts using the name of the Center and excerpts from copyrighted

speeches of Dr. King in its advertisements and other materials. Plaintiffs seek damages as well as injunctive relief.

Defendant James F. Bolen is the sole proprietor of a business known as B & S Sales, which manufactures and sells various plastic products as funeral accessories. James E. Bolen, who is the son of James F. Bolen, has worked in his father's business at various times and has often loaned money to his father for use in B & S Sales. Defendant James E. Bolen developed the concept of marketing a plastic bust of Dr. King, and formed a company, B & S Enterprises, to sell the busts, which would be manufactured by B & S Sales. B & S Enterprises was later incorporated in Ohio under the name of American Heritage Products, Inc. in October 1980.

Although Bolen sought the endorsement and participation of the Center in the marketing of the bust, the Center refused Bolen's offer. Bolen pursued the idea, nevertheless, hiring an artist to prepare a mold, and an agent to handle the promotion of the product. Defendant took out two half-page advertisements in the November and December 1980 issues of *Ebony* magazine, which purported to offer the bust as "an exclusive memorial" and "an opportunity to support the Martin Luther King, Jr. Center for Social Change." Plaintiff's Exhibits 9a, 9b. The advertisement stated that "a contribution from your order goes to the King Center for Social Change." Out of the \$29.95 purchase price, defendant Bolen testified he set aside 3%, or \$.90, as a contribution to the Center.¹ The advertisement also offered "free" with the purchase of the bust a booklet about the life of Dr. King entitled "A Tribute to Dr. Martin Luther King, Jr."

In addition to the two advertisements in *Ebony*, defendant published a brochure or pamphlet (Pamphlet) which was inserted in 80,000 copies of black newspapers across the country. The brochure reiterated what was stated in the magazine advertisements, and also contained photographs of Dr. King and excerpts from his speeches. The brochure promised that each "memorial" (bust) is accompanied by a Certificate of Appreciation "testifying that a contribution has been made to the Martin Luther King, Jr. Center for Social Change." Plaintiffs' Exhibits 2, 4.

Plaintiffs originally came before this court on January 12, 1981 seeking a temporary restraining order, Rule 65(b), Fed.R. Civ.P. By consent of the parties, a temporary restraining order was entered to remain in effect until February 10, 1981. An evidentiary hearing on plaintiffs' motion for a

¹On January 9, 1981, after this suit was filed, defendants sent a check to the Center for \$167.12, representing 3% of the 186 units sold to date. The check was returned, however. Defendant's Exhibit G. Defendant James E. Bolen also testified that in September 1980 he set up a trust for the benefit of the Center with the Huntington National Bank of Franklin, Ohio. The copy of the trust agreement tendered to the court is, however, unsigned and undated. Defendants' Exhibit K.

preliminary injunction was subsequently held by this court on February 10 and 11, 1981.

The action is currently before the court on defendants' motion to dismiss the complaint for lack of personal jurisdiction and improper venue, Rules 12(b)(2), (b)(3), plaintiffs' motion for leave to amend their complaint, Rule 15, and plaintiffs' motion for a preliminary injunction, Rule 65(a), Fed.R. Civ.P. For the reasons that follow, we will deny defendants' motion to dismiss, grant plaintiffs' motion to amend, and grant in part and deny in part plaintiffs' motion for a preliminary injunction.

I. Motion to Dismiss

The plaintiffs state claims in tort in this diversity action under Georgia Code §§ 35-1010 (unauthorized use of name when soliciting contributions), 106-201 (imitation of name, style, or emblem), 106-503 (false or fraudulent statement in advertising), 106-702 (deceptive trade practices), 106-1201 *et seq.* (fair business practices act), and 17 U.S.C. § 106 (copyright infringement). All of the named defendants are citizens of Ohio. In order to obtain personal jurisdiction over the defendants, the plaintiffs must involve Georgia's long-arm statute, Ga.Code § 24-113.1. That section provides:

A court of this State may exercise personal jurisdiction over any nonresident, or his executor or administrator, as to a cause of action arising from any of the acts, omissions, ownership, use or possession enumerated in this section, in the same manner as if he were a resident of the State, if in person or through an agent, he:

- (a) Transacts any business within this State; or
- (b) Commits a tortious act or omission within this State, except as to a cause of action for defamation of character arising from the act; or
- (c) Commits a tortious injury in this State caused by an act or omission outside this State, if the tortfeasor regularly does or solicits business, or engages in any other persistent course of conduct, or derives substantial revenue from goods used or consumed or services rendered in this State; or
- (d) Owns, uses or possesses any real property situated within this State.

Defendants argue that they do not have the minimum contacts with the forum that are required under Georgia law and constitutional standards of due process to permit this court to exercise jurisdiction over them. *See International Shoe Co. v. Washington*, 326 U.S. 310, 66 S.Ct. 154, 90 L.Ed. 95 (1945).

[1, 2] Most of the cases cited by defendants construe subsection (a) of the statute. We have held this "transacting business" provision, however, to be inapplicable to tort actions. *Scott v. Crescent Tool Co.*, 296 F.Supp. 147, 152-53 (N.D.Ga.1968). Plaintiffs instead rely primarily on subsections (b) and (c). These portions of the Georgia long-arm law have been held to extend Georgia's assertion of personal jurisdiction "to the max-

imum limits permitted by due process.” *Shellenberger v. Tanner*, 138 Ga. App. 399, 227 S.E.2d 266, 273 (1976). See *Freeman v. Motor Convoy*, 409 F.Supp. 1100, 1106-07 (N.D.Ga.1976). The commission of a negligent act outside the state causing injury within the state may constitute commission of a tortious act within the state. See *Coe & Payne Co. v. Wood-Mosaic Corp.*, 230 Ga. 58, 195 S.E.2d 399 (1973). For subsection (b) to furnish a jurisdictional base for plaintiffs’ claim against the non-resident movants, plaintiffs must show three things:

(1) The nonresident has purposefully done some act or consummated some transaction with or in the forum (but the actual act or omission resulting in the injury here need not have occurred in this state). . . . (2) The Georgia plaintiff must have a legal cause of action in tort against the nonresident, which arises out of, or results from, the purposeful activity of the defendant involving this state; . . . and (3) If the requirements of (1) and (2) are satisfied, the exercise of jurisdiction over the nonresident must be “reasonable.”

Shellenberger v. Tanner, 138 Ga.App. at 404, 227 S.E.2d at 273.

Plaintiffs allege the following jurisdictional facts, which are uncontested by defendants:

(1) Defendants’ agent visited the Center in Atlanta, Georgia with the objective of obtaining endorsement of the bust from the Center and approval of the product for sale at the gift shop at the Center.

(2) Defendants’ agent negotiated and signed a contract in Atlanta with the National Data Corporation, a telephone answering service. Defendants employed National Data to receive orders from consumers by telephone. All the calls from other states were channelled through Atlanta; consumers from Georgia called a toll-free number in Chicago.

(3) Eight orders were solicited from Georgia residents, and seven completed sales of the busts were made.

(4) Defendants placed an advertisement in two consecutive monthly issues of *Ebony*, a national magazine, which was distributed throughout Georgia.

(5) Defendants placed several telephone calls to the law firm of Harmon, Smith & Bridges in Atlanta, agents of the Center and Estate, in regard to their product and the possibility of the involvement of the Center in the sale and marketing of the busts.

[3, 4] Thus, the first and second elements of the statute have been satisfied. The alleged injury occurred in Georgia, as well as in many other states where advertisements were seen or distributed and busts were sold. In addition, the defendants purposefully entered Georgia and contacted plaintiffs in regard to their proposed product, entered into a contract with a Georgia corporation for the receipt of telephone orders, and sold several of the products to Georgia residents. Plaintiffs have also stated a legal cause of action in tort against movants for copyright infringement, deceptive trade practices, and appropriation of Dr. King’s likeness.

[5] Movants contend, however, that it is unreasonable to ask them to defend a suit away from their residence, and therefore due process considerations of fairness preclude the application of the statute in this case. We disagree. Professor Moore has summarized the rule of *International Shoe* and its progeny as forbidding the exercise of personal jurisdiction over a foreign defendant where there is a minimum of contacts and the cause of action does arise out of the contacts. 2 *Moore's Federal Practice* ¶ 4.25[5] at 4-266 (2d ed. 1980). Here, all of the defendants' contacts with the forum were related to and in furtherance of the tortious acts complained of. It would be even more unreasonable to expect plaintiffs to bring a suit in a foreign forum on a cause of action arising in their home state and applying the law of Georgia. The courts of Georgia, and hence this court, may exercise jurisdiction over movants.²

As a final threshold matter, defendants also contend that venue and personal jurisdiction under the federal copyright law cannot be exercised in this district. 28 U.S.C. § 1400. Both parties concede, however, that if jurisdiction and venue are properly asserted under the Georgia long-arm statute and 28 U.S.C. § 1391, they are sufficient to meet the standard under 28 U.S.C. § 1400. *Droke House Publishers, Inc. v. Aladdin Distributing Corp.*, 352 F.Supp. 1062 (N.D.Ga.1972). Because we find that personal jurisdiction and venue are proper in this case, we also dismiss defendants argument under 28 U.S.C. § 1400.

II. Motion to Amend

Plaintiffs move under Rule 15, Fed.R. Civ.P., for leave to amend their complaint. They wish to add additional facts, as well as allegations that defendants printed and published a booklet entitled "A Tribute to Dr. Martin Luther King, Jr." (Booklet), which infringes plaintiffs' copyright by quoting substantial passages from Dr. King's copyrighted speeches. Defendants object to this amendment on two grounds. They argue that because plaintiffs did not include the Booklet claims in the original complaint, defendants went ahead and printed it, incurring additional expenses. They also argue that there is no evidence that the Booklet has been distributed in Georgia.

²The affidavit of James F. Bolen submitted by defendants attests that "B & S Sales would manufacture the bust for another company formed by my son," and the "neither B & S Sales nor [the affiant] in any capacity had any agents doing business in the State of Georgia." Affidavit of James F. Bolen, defendants' Exhibit B at 1. Despite the attempt of B & S Sales to dissociate itself from American Heritage Products, Inc., there is sufficient evidence that B & S Sales was doing business as ("d/b/a") American Heritage, and therefore both businesses are subject to the personal jurisdiction of this court. See, e.g., defendants' Exhibits, C, D.

[6-8] Rule 15 requires that leave to amend “be freely given when justice so requires.” Generally, amendment will be permitted unless the proposed amendment is totally frivolous or will result in prejudice to the defendant. See *Foman v. Davis*, 371 U.S. 178, 83 S.Ct. 227, 9 L.Ed.2d 222 (1962). Defendants’ expenditure of sums in furtherance of an alleged copyright violation does not constitute “prejudice” as contemplated by Rule 15. Simply because an amendment may increase defendant’s potential liability is insufficient to deny leave to amend. Further, this court has already determined that it has jurisdiction over plaintiffs’ copyright claims. We will permit the amendment in this case, and allow defendants ten days from the date of this order to file a responsive pleading.

III. Preliminary Injunction

Plaintiffs seek to enjoin defendants from three allegedly unlawful activities. First, they request that defendants cease and desist from using the Center’s name to market and advertise the bust. Second, plaintiffs seek under 17 U.S.C. § 502(a) to restrain defendants from any further infringement of plaintiffs’ copyrights. Third, plaintiffs seek to halt the sale and manufacture of the plastic reproductions of the image of Dr. King.

The function of a preliminary injunction is “merely to preserve the status quo until the merits of the case can be adjudicated.” *Morgan v. Fletcher*, 518 F.2d 236, 239 (5th Cir. 1975). The court may grant plaintiffs the injunctive relief they request only if they satisfy four prerequisites by showing

- (1) a substantial likelihood that plaintiff will prevail on the merits, (2) a substantial threat that plaintiff will suffer irreparable injury if the injunction is not granted, (3) that the threatened injury to plaintiff outweighs the threatened harm the injunction may do to defendant, and (4) that granting the preliminary injunction will not disserve the public interest.

Id. at 239.

A. Use of the Center’s Name

Defendants do not object to an injunction restraining them from using the Center’s name. Although defendants do not concede that their previous use of the name was unlawful, they have agreed both in their brief and at the hearing held in this matter to discontinue using the Center’s name in the promotion or solicitation of orders for the busts. We will therefore grant the requested injunction on this issue.

B. Copyright Infringement

Plaintiffs allege that defendants infringed their copyrights by reproducing substantial excerpts from copyrighted speeches of Dr. King in two

publications—the advertising Pamphlet distributed in over 80,000 copies of various black newspapers, and the Booklet distributed to purchasers of the bust. Plaintiffs claim copyright in the speeches briefly entitled “I Have a Dream,” “I Have Been to the Mountaintop,” “Drum Major Instinct Sermon,” and “The Nobel Peace Prize Acceptance Speech.” See Plaintiffs Exhibit 10 and attachments. Defendants’ use of this material infringes their rights under the federal law, plaintiffs contend. They request that defendants be enjoined from the infringement, and that the infringing materials be impounded during the pendency of this action and destroyed. 17 U.S.C. §§ 502, 503.

[9] Pursuant to section 502(a) of the Copyright Act, 17 U.S.C. § 502(a), a preliminary injunction may be granted at the discretion of the court to restrain the further violation of the copyright in issue. The question for the court is whether the movant has shown a substantial likelihood of success on the merits, and a sufficient likelihood of immediate irreparable injury. An injunction may issue even if the defendant asserts a plausible defense. See, e.g., *Dallas Cowboys Cheerleaders v. Scoreboard Posters, Inc.*, 600 F.2d 1184 (5th Cir. 1979). In this case, plaintiffs have met that burden.

[10] A review of the Pamphlet and Booklet reveals substantial quoting from Dr. King’s protected speeches.³ Defendants do not challenge plaintiffs’ copyright to the speeches. The only defense they assert is that of “fair use.” 17 U.S.C. § 107. The statute permits the use of copyrighted materials in very limited circumstances. The “fair use” provision, section 107, provides in pertinent part:

Notwithstanding the provisions of section 106, the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made

³By plaintiffs’ calculation, defendants reproduced twelve sentences from “I Have a Dream” in the Pamphlet and eighteen sentences from that speech in the Booklet. They reproduced eight sentences from “I Have Been to the Mountaintop” in the Pamphlet and fourteen in the Booklet. In addition, twenty-seven sentences of Dr. King’s “Nobel Peace Prize Acceptance Speech” are quoted in the Booklet on pages 38 and 39. Plaintiffs’ Response Brief at 5–6. Defendants argue that they only reproduced eleven sentences from Dr. King’s speeches in the Pamphlet. They also attest that they purchased the “rights to a book published by Universal Press,” apparently referring to a similar publication entitled *Martin Luther King, Jr.: The Journey of a Martyr* published in 1968, on which they based the Booklet. See Defendants’ Exhibit A, Affidavit of James E. Bolen; Defendants’ Exhibits L. and I. Defendants tendered no evidence, however, that Universal Press had purchased or obtained the right to use the copyrighted material. Plaintiffs contend they did not know of the publication and never gave Universal Press the right to use the speeches. See Supplemental Affidavit of Coretta Scott King filed February 4, 1981. A defendant’s ignorance that a third party has wrongfully copied from the plaintiff is not a defense to liability. See, e.g., *Pye v. Mitchell*, 574 F.2d 476 (9th Cir. 1978).

of a work in any particular case is a fair use the factors to be considered shall include—

- (1) The purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
- (2) The nature of the copyrighted work;
- (3) The amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- (4) The effect of the use upon the potential market for or value of the copyrighted work.

The determination of whether a use is “fair” within the meaning of the statute is essentially a factual inquiry. There is no set formula. Although the fact that a use of a work is for commercial gain will not automatically preclude a finding of “fair use”, generally fair use will be more readily recognized where the defendant’s use is for educational, historical, or scientific purposes.

Defendants claim that their use of the copyrighted materials is a “fair use” even though the use was that of commercial exploitation. They rely primarily on *New York Times Co. v. Roxbury Data Interface, Inc.*, 434 F.Supp. 217 (D.N.J.1977), where the court held that plaintiffs were not entitled to preliminarily enjoin the defendants from publishing a name index to the plaintiff’s copyrighted “New York Times Index.” The court found that, unlike the instant case, the plaintiffs did not have a copyright in the material (the names) actually copied by defendants. The substance of their copyright was the correlation of data with citations to pages and columns of *The New York Times*. Further, although the defendants sought financial gain from the publication, the defendants’ index would serve the public interest in the dissemination of information. *See also Meerpel v. Nizer*, 560 F.2d 1061 (2d Cir. 1977), *cert denied*, 434 U.S. 1013, 98 S.Ct. 727, 54 L.Ed.2d 756 (1978).

[11] Neither the facts of *Roxbury* nor the public interest consideration are present in this case. Defendants have copied the actual copyrighted material for no purpose but their own financial gain. Defendants’ use of substantial passages from Dr. King’s creative works was purely to induce consumers to buy the plastic busts and to convey the impression that the Center approved of the product. This is not a “fair use,” *See, e.g., Amana Refrigeration, Inc. v. Consumers Union of United States, Inc.*, 431 F.Supp. 324 (N.D.Iowa 1977). *See also Key Maps, Inc. v. Pruitt*, 470 F.Supp. 33, 38 (S.D.Tex.1978) (“fair use” presupposes good faith and fair dealing). We must conclude looking at the evidence presented and the guidelines enumerated in section 107, that defendants’ defense of “fair use” fails.

[12] One final argument defendants assert is that plaintiffs have not shown sufficient irreparable injury for an injunction to issue in this case. The courts have held, however, that when it is shown that a copyright is valid and a *prima facie* case of infringement is made, the plaintiff is en-

titled to a preliminary injunction "without a detailed showing of danger of irreparable injury." *King v. Mister Maestro, Inc.*, 224 F.Supp. 101, 108 (S.D.N.Y.1963). As it appears plaintiffs are likely to succeed on the merits, are threatened with irreparable harm from further infringement, that the threatened injury to plaintiffs outweighs the harm to defendants, and that the public interest will not be disserved, the court will order an immediate injunction against the further printing and distribution of the Pamphlet and Booklet.

Plaintiffs request, in addition, an impoundment of all infringing copies.⁴ See 17 U.S.C. § 503(a). The decision to impound is discretionary with the court; no standards are set out in the statute. As this court has held an evidentiary hearing and found that plaintiffs have shown a likelihood of success on the merits, we are inclined to order the impoundment of the infringing materials. We will order that the defendants deliver up to be impounded during the pendency of this action all copies of the infringing Pamphlets and Booklets in defendants' possession or control, as well as any plates or other means for printing the infringing materials that may also be in defendants' possession or control.

C. *The Bust of Dr. King*

The question of whether defendants can be preliminarily enjoined from reproducing the image of Dr. King for commercial purposes raises an issue of first impression in Georgia.⁵ Plaintiffs contend, first, that the "right of publicity," or the right of a person to exploit his name and likeness for commercial purposes and to prevent others from doing so, is a recognized right in Georgia. Second, they contend that this right is an inheritable property right that descended to the Estate on Dr. King's death. Defendants vigorously assert that the plaintiffs have no right to enjoin the manufacture and sale of the busts.

[13] There are four disparate torts encompassed in the right to privacy and recognized in Georgia: (1) the intrusion upon the plaintiff's seclusion, solitude, or private affairs, (2) public disclosure of private facts about the plaintiff, (3) publicity which places plaintiff in a false light, and (4) appropriation of the plaintiff's name or likeness for the defendant's advantage. *Cabaniss v. Hipsley*, 114 Ga.App. 367, 151 S.Ed.2d 496 (1967), citing W. Prosser, *Handbook of the Law of Torts*, 802-14 (4th ed. 1971). These four recognized torts include both injuries to the person and injuries to a person's property.

⁴Although plaintiffs also seek the destruction of the infringing materials as provided in 17 U.S.C. § 503(b), destruction may be ordered only as part of a final judgment or decree.

⁵We agree with the parties that the law of the State of Georgia, the place of the injury, is to be applied in this case. See, e.g., *Whitaker v. Harvell-Kilgore Corp.*, 418 F.2d 1010 (5th Cir. 1969).

Where the harm is “based on an invasion of the plaintiff’s privacy in the traditional sense,” as in any injury to a person’s “feelings, sensibilities, or reputation” the tort is a personal one. *McQueen v. Wilson*, 117 Ga.App. 488, 490, 161 S.E.2d 63, 66, *rev’d on other grounds*, 224 Ga. 420, 162 S.E.2d 313 (1968). See *Pavesich v. New England Life Insurance Co.*, 122 Ga. 190, 50 S.E. 68 (1904). The first three torts listed above fall into this category.

Several states have recognized, however, that the “right of publicity,” while analogous to the right of privacy, in fact protects a different interest and should be separated from the other three privacy rights. The misappropriation of a person’s name or likeness for commercial exploitation is generally considered to involve a pecuniary loss, rather than a personal injury. The “right of publicity” is therefore a compensable interference with a person’s proprietary interest in his own identity. New York, for example, has recognized that

[I]n addition to and independent of that right of privacy . . . a man has a right in the publicity value of his photograph, i.e. the right to grant the exclusive privilege of publishing his picture. . . . Whether it be labelled a “property” right is immaterial; for here, as often elsewhere, the tag “property” simply symbolizes the fact that courts enforce a claim which has pecuniary worth.

Haelan Laboratories, Inc. v. Topps Chewing Gum, Inc., 202 F.2d 866, 868 (2d Cir.), *cert. denied*, 346 U.S. 816, 74 S.Ct. 26, 98 L.Ed. 343 (1953). See, e.g., *Zacchini v. Scripps-Howard Broadcasting Co.*, 433 U.S. 562, 566, 97 S.Ct. 2849, 2852, 53 L.Ed.2d 965 (1977) (Ohio); *Motschenbacher v. R. J. Reynolds Tobacco Co.*, 498 F.2d 821 (9th Cir. 1974) (California); *Cepeda v. Swift & Co.*, 415 F.2d 1205 (8th Cir. 1969) (Missouri); *Uhlaender v. Henricksen*, 316 F.Supp. 1277 (D.Minn.1970) (Minnesota).

[14] The “right of publicity” has also been recognized in Georgia as a property right. Where a person appropriates the plaintiff’s image or name for financial gain, the injury constitutes an invasion of a property interest. “[T]he unauthorized reproduction and sale of the plaintiff’s pictures for the financial gain of the defendant is an actionable tort independent of elements of injury to the person. . . .” *McQueen v. Wilson*, 117 Ga.App. at 491–92, 161 S.E.2d at 66. A person has a property right in the commercial value of his name, likeness, and public personality.

[15, 16] Defendants argue, however, that because he was a public figure, Dr. King waived any “right of publicity.” Although persons who seek publicity or public office, for example, waive some right of privacy by submitting their lives to scrutiny “for the purpose of determining whether it is to the interest of those whose patronage they seek to place their interests in their hands,” *Pavesich v. New England Life*, 122 Ga. at 200, 50 S.E. 68, the “right of publicity” at issue in this case is distinct from the right to personal privacy. It is on this right—the exclusive right of Dr.

King and arguably his heirs as well—to exploit his name and likeness for commercial gain on which plaintiffs rest their arguments. Defendants cite notoriety, waives all right to protect the commercial exploitation of his name and image. The cases cited by defendants are, in fact, to the contrary. Any waiver that may be implied when a person seeks public acclaim applies essentially only to newsworthy public comment or disclosures of legitimate public interest. *See, e.g., Id.; Peay v. Curtis Publishing Co.*, 78 F.Supp. 305 (D.D.C. 1948). Dr. King did not waive his “right of publicity” by virtue of his celebrity.

The difficult issue for resolution by the court, then, is whether the property right Dr. King may have had in his lifetime to exploit his name and likeness descended to his Estate on his death. Under the prevailing authority, the traditional right of privacy is a personal right that lapses with the death of the person whose right was invaded. *See, e.g., Cordell v. Detective Publications, Inc.*, 419 F.2d 989 (6th Cir. 1969), and cases cited therein. *See also*, W. Prosser at 814–15; *Waters v. Fleetwood*, 212 Ga. 161, 168, 91 S.E.2d 344, 348 (1956) (“relational” right to privacy in Georgia is open question);⁶ *Pavesich v. New England Life*, 122 Ga. at 209–10, 50 S.E. 68. Recently, however, some courts have begun to treat the “right of publicity,” because it is a property right, as inheritable and assignable in certain circumstances.

This court is handicapped by the dearth of law in Georgia on the question of the transferability of the right of publicity. The issue is a novel one in Georgia; there are no cases on point. Plaintiffs argue simply and straightforwardly that because the “right of publicity” is a property right recognized in Georgia, *see* Ga.Code § 85–101 *et seq.*, and the state law provides for the title of a decedent’s property to vest in his heirs upon death, *see* Ga.Code § 113–901, the Estate of Dr. King inherited the exclusive right to exploit his name and likeness and to bring an action in tort for any injury to that property. *See* Ga.Code § 3–505. This argument, however, elevates form over substance. The fact that the common law may recognize that an individual’s commercial use of his identity during his lifetime is a protectable property right does not automatically and coincidentally invest that right with devisability. The “right of publicity” is a fairly new property right, with many unique and abstract characteristics. Because Georgia law provides little direction on the question of the devisability of this right, we must look to the law of other jurisdictions, as we believe the courts of Georgia would do, for assistance.

⁶There is one Georgia case, *Bazemore v. Savannah Hospital*, 171 Ga. 257, 155 S.E. 194 (1930), which held that the right of privacy is not personal; subsequent to a child’s death, the parents retained the right to sue for invasion of that child’s privacy. The Georgia Supreme Court later questioned this holding in *Waters v. Fleetwood*, however. 212 Ga. at 168; 91 S.E.2d at 348.

The cases that have addressed the issue are split. The dialogue that has developed in the courts on the issue centers on whether and how the property right to publicity arose in the decedent. Several federal courts, in applying state law, have held that the exploitation of the right of publicity during a person's lifetime is necessary to preserve the right in that person's heirs. In at least one state, New York, there is authority for the proposition that the right survives death even if the person never exercised the economic opportunity of exploiting his name and likeness before his death. See, e.g., *Price v. Hal Roach Studios*, 400 F.Supp. 836 (S.D.N.Y.1975) (exploitation not necessary to preserve right on death). This holding has recently been called into question, however. See *Factors Etc., Inc. v. Pro Arts, Inc.*, 579 F.2d 215, 221-222 n.11. (2d Cir. 1978) cert. denied, 440 U.S. 908, 99 S.Ct. 1215, 59 L.Ed.2d 455 (1979) (because right was exploited during celebrity's lifetime, court "need not" decide whether right would survive celebrity's death if not so exploited); *Hicks v. Casablanca Records*, 464 F.Supp. 426 (S.D.N.Y.1978) (interest survives only if exploited during lifetime).

Other courts have found that even if the right was exercised during the celebrity's lifetime, it does not survive the death of its owner as a matter of law. The California Supreme Court has held that the right to exploit one's name and likeness is personal and can only be exercised by the celebrity during his lifetime; after death the name is in the public domain. *Lugosi v. Universal Pictures*, 25 Cal.3d 813, 160 Cal.Rptr. 323, 603 P.2d 425 (1979). *Accord Guglielmi v. Spelling-Goldberg Productions*, 73 Cal. App.3d 436, 140 Cal.Rptr. 775 (1977), *aff'd* 25 Cal.3d 860, 160 Cal.Rptr. 352, 603 P.2d 454 (1979). See also *Maritote v. Desilu Productions, Inc.*, 345 F.2d 418 (7th Cir.), cert. denied, 382 U.S. 883, 86 S.Ct. 176, 15 L.Ed.2d 124 (1965). Similarly, the Sixth Circuit, in applying Tennessee law, has held that the right of publicity is not devisable.

It seems fairer and more efficient for the commercial, aesthetic, and political use of the name, memory and image of the famous to be open to all rather than to be monopolized by a few. An equal distribution of the opportunity to use the name of the dead seems preferable. The memory, name and pictures of famous individuals should be regarded as a common asset to be shared, an economic opportunity available in the free market system.

Memphis Development Foundation v. Factors Etc., Inc., 616 F.2d 956, 960 (6th Cir.), cert. denied, ___ U.S. ___, 101 S.Ct. 358, 66 L.Ed.2d 217 (1980).

Fortunately, we need not determine whether the courts of Georgia would conclude that the "right of publicity" should be given the status of a devisable right. If any rule at all emerges from the case law cited above, it is that when the right is held to be inheritable, it must have matured during

the owner's lifetime through exploitation.⁷ We have no reason to believe that the courts of Georgia would 'reach a different conclusion, and therefore hesitate to adopt a rule permitting automatic devisability regardless of exploitation. As a factual matter, we find that although Dr. King exploited his name and likeness to champion the civil rights cause he so courageously led, there is no evidence that he commercially exploited his "right of publicity" during his lifetime.

Although there is no clear indication in the cases as to the appropriate definition of "exploitation," the cases do provide a few hints. In *Hicks v. Casablanca Records*, 464 F.Supp. at 429, the court stated

[I]t would appear that a party claiming the right must establish that the decedent acted in such a way as to evidence his or her own recognition of the extrinsic commercial value of his or her name or likeness, and manifested that recognition in some overt manner, e.g., making in *inter vivos* transfer of the rights in the name . . . or posing for bubble gum cards. . . . (citations omitted)

The court found that the decedent, Agatha Christie, established her "right of publicity" by entering into contracts during her lifetime for the use of her name in connection with books and movies. In *Factors Etc., Inc. v. Pro Arts, Inc.*, 579 F.2d at 221-22, the court determined that during his lifetime Elvis Presley capitalized upon the marketing of merchandise bearing his name and likeness. Therefore, the right to capitalize on that name and likeness survived his death. Similarly, the facts of *Price v. Hal Roach Studios*, 400 F.Supp. at 841-42, reveal that during his lifetime one of the decedents, Stan Laurel, assigned the exclusive right to commercially exploit the comedy team of "Laurel and Hardy" to one of the plaintiffs.

The facts of the instant case are very different. Plaintiffs tendered the affidavit of Dr. King's sister, Mrs. Christine King Farris, in support of their claim of Dr. King's commercial use of his name and likeness. Plaintiff's Exhibit 10. Mrs. Farris attests that prior to his death, her brother

made thousands of dollars in the form of honorariums from the use of his name, likeness, literary compositions, and speeches.

The money made from [this use] went to the support of his family and his lifetime struggle for civil liberties. Dr. King's only other basic source of monies was his salary as Pastor of Ebenezer Baptist Church.

Id. at ¶¶ 4, 5. When Dr King gave speeches, his photograph would often accompany notices or brochures announcing the speech. In addition, Dr.

⁷As noted in the text of this order, the court has uncovered only one case, *Price v. Hal Roach Studios, Inc.*, 400 F.Supp. 836 (S.D.N.Y. 1975), which disregards the extent to which the decedent had exploited the right of publicity during his lifetime when determining the inheritability of the right, and that ruling has subsequently been questioned. See also *Factors Etc., Inc. v. Creative Card Co.*, 444 F.Supp. 279 (S.D.N.Y.1977).

King apparently sold his copyrights in several speeches to Motown Records Corporation.

[17] Dr. King's receipt of money for public appearances and writings is far from the commercial exploitation contemplated by the cases. The modest sums Dr. King received that were used to buy the necessities of life for his family and to support the civil rights movement were, in fact, "honorariums" as his sister attested. The commercial exploitation that would be required in this case to permit his heirs to enjoin any and all reproductions of Dr. King's image by third parties requires, we believe, a showing of at least some intent on Dr. King's part to capitalize on the commercial value of his name and likeness. Unlike many celebrities, Dr. King did not exploit his public personality to his commercial advantage by endorsing products or selling merchandise bearing his name or image. It was not his purpose in accepting honorariums for speeches, permitting the use of his photographs, or selling the rights to his speeches to establish his personality as a commercial commodity. We conclude that Dr. King did not commercially exploit his name and likeness during his lifetime, and that the "right of publicity" claimed by plaintiffs could not therefore descend to the estate on his death.

Plaintiffs argue that public policy in this case mandates, however, that the heirs have the exclusive right to exploit Dr. King's image. Dr. King's likeness is used throughout the Center for Social Change and in its new Freedom Hall in a manner approved by the Estate. Because of the symbolism inherent in his very likeness, and the continuing nature of his work, plaintiffs contend that the Estate should have control over the possible denigration of that image that may occur if others are permitted to sell cheap plastic replicas such as the one at issue here.

Plaintiffs find, as do and will many others, the defendants' bust of Dr. King to be tasteless, and the manner in which it was marketed to be as offensive as it is illegal. Nevertheless, we believe an opposing argument, at least equally as strong, can be made that public policy requires instead that the name and likeness of Martin Luther King, Jr. be protected as part of the public domain. Dr. King, like many presidents of the United States and other great men and women, earned and enjoyed tremendous respect, fame, and recognition during his lifetime, and his image is part of our national heritage. To remove completely his likeness from public use would, we believe, be more detrimental than the few vulgarities or improprieties that may occur from its accessibility. Because we do not find that plaintiffs have shown a likelihood of success on the merits on this issue, we will deny their motion to enjoin the manufacture and sale of the busts of Dr. King.

Plaintiffs make an alternative argument for the injunction of the manufacture and sale of the busts, however. Relying on the Georgia Deceptive Trade Practices Act, Ga. Code §§ 106-701 *et seq.*, the False

Advertising Act, Ga.Code §§ 106-501 *et seq.*, and the Fair Business Practices Act, Ga.Code § 106-1201 *et seq.*; plaintiffs contend that the selling of the busts combined with the allegedly intentional misleading use of the Center's name and the infringement of the plaintiffs' copyrights, comprises one inseparable deceptive practice, all aspects of which should be enjoined. *See* Ga.Code § 106-703 (injunction of deceptive trade practices). Further, because defendants are apparently insolvent, or nearly insolvent, plaintiffs argue that their only remedy is a broad injunction on all of defendants' activities.

We cannot agree. Adequate relief will be afforded plaintiffs at this preliminary stage by enjoining the deceptive use of the Center's name and the infringement of the copyrighted materials. To assure that defendants do not further benefit from their deceptive actions, however we will enjoin any currently uncompleted sales of the busts solicited by the advertisements in *Ebony*, by the Pamphlet, by any materials inserted in the packages containing the busts that were sent to purchasers, or by the letter sent by defendants to consumers explaining the delay in the mailing of the Booklet. *See* Plaintiffs' Exhibit 5.⁸ In addition, we will order defendants in all future advertisements or solicitations for purchase of the bust to disclaim any and all connection with the Center for Social Change.

In sum, we hereby make the following order:

(1) Defendants are ENJOINED from the use of the name Martin Luther King, Jr., Center for Social Change, Inc. in the marketing of the busts of Dr. King, or utilizing the name in any manner or form for commercial profit.

(2) Defendants are ENJOINED from printing, selling, or distributing the Pamphlet and the Booklet.

(3) The United States Marshal is ORDERED to seize and retain the infringing materials to be delivered up by defendants, including all copies of the Pamphlet and Booklet, and plates or matrices used in their printing, currently in defendants' possession or control. The materials shall be retained in storage by the United States Marshal in the Southern District of Ohio at defendants' expense until further order of this court.

(4) In all future advertisements or solicitations for the sale of the busts, defendants are ORDERED to include a statement that the sale of the busts is not endorsed by or connected with the Martin Luther King, Jr. Center for Social Change, Inc. To this end, plaintiffs shall propose appropriate wording for the disclaimer, and seek the stipulation of defendants. Failing agreement of the parties, plaintiffs may submit the statement to the court for approval within twenty days of the date of this order.

⁸Defendant James E. Bolen testified that defendants have sold approximately 200 busts to date, and have outstanding orders for at least 23 more.

Accordingly, defendants' motion to dismiss is DENIED. Plaintiffs' motion for leave to amend is GRANTED. Defendants are ALLOWED ten days from the date of this order to file a responsive pleading. Plaintiffs' motion for a preliminary injunction is GRANTED in part and DENIED in part as set forth in the terms of this order.

IT IS SO ORDERED.

Everett F. ymond **KINSTLER**, Plaintiff, v. The **SATURDAY EVENING POST CO.**, Cory SerVaas and the Curtis Publishing Co., Defendants

No. 80 Civ. 1964

(United States District Court, S. D. New York—February 4, 1981)

507 F.Supp. 113. 212 USPQ 596

Portrait artist brought action against magazine, its publisher/editor, and its parent corporation seeking damages for publications of portrait allegedly in excess of limited license granted to defendants. On motions of the publisher/editor and parent corporation to dismiss, the District Court, Whitman Knapp, J., held that: (1) it could not be said, as a matter of law, that plaintiff could prove no state of facts showing participation by the corporate parent in distribution of the allegedly offending issues of the magazine, and (2) invoking personal jurisdiction over publisher/editor, a domiciliary of Indiana, would not be unreasonable and unjust.

Motions denied.

1. Federal Civil Procedure

In action brought against magazine and against its parent corporation for allegedly unauthorized use of a portrait, it could not be said, as a matter of law, that plaintiff could prove no state of facts showing participation by the corporate parent in distribution of the allegedly offending issues of the magazine and thus corporation's motion to dismiss for failure to state a claim was to be denied. Fed.Rules Civ. Proc.Rule 12(b)(6), 28 U.S.C.A.

2. Courts

Under New York law, activities of a corporate officer taken on behalf of the corporate employer are protected by so-called fiduciary shield and will not automatically subject the officer to personal jurisdiction of New York courts; the doctrine, however, is flexible and should not be woodenly applied. N.Y. CPLR 302(a), par. 2.

3. Federal Courts

In action brought against magazine, its publisher/editor, and parent corporation for allegedly unauthorized publication of a portrait, motion of publisher/editor, a domiciliary of Indiana, to dismiss the action for lack of personal jurisdiction was to be denied where her ac-

tivities were such that she could have foreseen consequences in New York, she clearly intended the portrait to be reproduced in the magazine and distributed in New York, and, as corporate officer most intimately connected with corporate conduct involved in the suit, she would be required whether or not herself a party, actively to participate in the action against the other defendants.

Lehman & Gikow, P. C. by David H. Gikow, and Arthur R. Lehman, New York City, for plaintiff.

Frankfurt, Garbus, Klein & Selz by Arthur J. Ginsberg, New York City, for defendants.

WHITMAN KNAPP, *District Judge*. Plaintiff Everett Raymond Kinstler is a portrait artist. In 1977 and 1978 he painted and secured copyright protection for a portrait of John Wayne. He alleges in his complaint that he granted defendants a limited license for a single publication of this portrait on the cover of their magazine, the *Saturday Evening Post*; and that defendants exceeded that license by publishing the portrait on the covers of three consecutive issues of that magazine during the summer of 1979 as well as by placing it, in a severely truncated version, on a subscription order form. Relying on these and other allegations, plaintiff states claims against each of the defendants for copyright infringement, Lanham Act violations, unfair competition, fraud and unjust enrichment; and against defendant *Saturday Evening Post* for breach of contract. Defendant Curtis Publishing Company ("Curtis"), which is the corporate parent of defendant *Saturday Evening Post*, moves to dismiss plaintiff's complaint as to it pursuant to Rule 12(b)(6) of the Federal Rules of Civil Procedure for failure to state a claim upon which relief can be granted. Defendant Cory SerVaas, an officer of defendant *Saturday Evening Post*, the publisher and editor of the *Saturday Evening Post* magazine, and a domiciliary of Indiana, moves to dismiss the action as to her for lack of personal jurisdiction. For the reasons which follow, both motions are denied.

MOTION TO DISMISS FOR FAILURE TO STATE A CLAIM AS TO DEFENDANT CURTIS PUBLISHING COMPANY

In the opening paragraphs of his complaint, plaintiff describes the several defendants (including Curtis Publishing Company) and indicates that they will thereafter be collectively referred to as "defendants." Defendant Curtis contends, however, that plaintiff's use of the plural is insufficient to include it within plaintiff's subsequent allegations. This argument is frivolous.

[1] Defendant Curtis contends, in addition, that plaintiff cannot state a cause of action as to it with respect to unauthorized publication of the portrait because defendant *Saturday Evening Post* is exclusively responsible

for publication of the magazine bearing its name. Section 101 of the Copyright Act of 1976, 17 U.S.C. § 101, defines "publication" as, *inter alia*,

"the distribution of copies . . . of a work to the public by sale or other transfer of ownership. . . . The offering to distribute copies . . . to a group of persons for purposes of further distribution . . . constitutes publication."

At this state in the litigation we cannot say, as a matter of law, that plaintiff could prove no state of facts showing participation by defendant Curtis in the distribution of the allegedly offending issues of the *Saturday Evening Post*. We accordingly deny defendant Curtis' motion to dismiss, without prejudice to its renewal after completion of discovery.

MOTION TO DISMISS FOR LACK OF PERSONAL JURISDICTION OVER DEFENDANT CORY SERVAAS

Defendant Cory SerVaas is not a domiciliary of New York and—so far as concerns her personal affairs—has no substantial contacts with this forum. Plaintiff claims, however, that the torts allegedly committed by her corporate employer were performed at her direction and behest. In view of the fact that defendant SerVaas is an officer of defendant Saturday Evening Post, publisher and editor of the magazine by that name, and the individual who negotiated with plaintiff for the use of his portrait, this claim is not without substance. Plaintiff accordingly seeks to predicate personal jurisdiction over, as well as to establish the personal liability of, defendant SerVaas on the basis of these torts.

It is clear that the facts alleged in the complaint—in particular, the distribution within the state of magazines containing unauthorized versions of plaintiff's portrait—amount to the commission by defendant Saturday Evening Post of tortious acts within the state within the meaning of New York's long-arm statute, CPLR § 302(a)(2). Assuming for the purpose of discussion—as appears to be the case—that defendant SerVaas acted in these matters for the benefit of her corporate employer rather than for her personal benefit, the question becomes: should she be protected from personal jurisdiction in this forum for torts committed in furtherance of her corporate duties?

[2] Under a recently developed doctrine of New York law, activities of a corporate officer taken on behalf of the corporate employer are protected by a so-called fiduciary shield, and will not automatically subject the officer to the personal jurisdiction of the New York courts. See *Merkel Assocs., Inc. v. Bellofram Corp.* (W.D.N.Y. 1977) 437 F.Supp 12, 618; *Fashion Two Twenty, Inc. v. Steinberg* (E.D.N.Y. 1971) 339 F.Supp. 836, 841; *Path Instruments Internat'l Corp. v. Asahi Optical Co.* (S.D.N.Y. 1967) 272 F.Supp. 523, 528; *Unicon Management Corp v.*

Koppers Company (S.D.N.Y.1966) 250 F.Supp. 850, 852. See also Sponsler, "Jurisdiction Over the Corporate Agent: The Fiduciary Shield," 35 Wash. & Lee L.Rev. 349 (1978). This is, however, a flexible doctrine designed to achieve the ends of justice and should not be woodenly applied. As the court in *Merkel Assocs.*, *supra*, 437 F.Supp. at 618, observed:

"The purpose of such a 'fiduciary shield' from long-arm jurisdiction is to protect such corporate officers from unreasonable and unjust subjection to personal jurisdiction, not to protect them from liability. This shielding should not be unlimited. Whether personal jurisdiction should exist must be measured by inquiring whether the exercise of such jurisdiction comports with fair play and substantial justice."

See also Sponsler, *supra*, 35 Wash. & Lee L.Rev. at 362.

[3] Various aspects of the instant case militate against a conclusion that invoking personal jurisdiction over defendant SerVaas would be "unreasonable and unjust." In the first place, her activities were such that she should have foreseen consequences in this forum. She negotiated with plaintiff, who resided in New York, for the use of his portrait, and allegedly sent her daughter to his apartment to secure transparencies of that portrait. As publisher of the *Saturday Evening Post*, she clearly intended the portrait to be reproduced in the magazine and distributed in this state; and as such publisher she could not be said to be an incidental actor in the corporate hierarchy, but must be deemed directly responsible for the alleged tortious use. Finally, as the corporate officer most intimately connected with corporate conduct involved in this law suit, she will be required — whether or not herself a party — actively to participate in plaintiff's related actions against defendants *Saturday Evening Post* and *Curtis Publishing Company*. Accordingly, assertion of personal jurisdiction cannot cause her undue inconvenience.

In brief, plaintiff alleges that at the direction of defendant SerVaas the corporation committed tortious acts (obtaining the portrait from plaintiff and subsequently distributing reproductions without proper authority) within the state. Should these allegations be established jurisdiction would, in the circumstances of this case, attach under CPLR § 302(a)(2). Accordingly, defendant SerVaas' motion — like that of defendant *Curtis* — is denied. In her case, however, there would be no point in allowing renewal at a later date. Any proof (or failure of proof) which would defeat jurisdiction would entitle her to a judgment on the merits. Needless to say, we express no views on the likelihood of such an outcome.

The motions are DENIED.

SO ORDERED.

LAURATEX TEXTILE CORP., Plaintiff, v. ALLTON KNITTING MILLS, INC. and Martin Levine, Defendants

No. 80 Civ. 1101 (MEL)

(United States District Court, S. D. New York—May 15, 1981)

517 F.Supp. 900. 214 USPQ 203

[See also 519 F.Supp. 730, 215 USPQ 521, and *infra* (S.D.N.Y., Aug. 3, 1981)]

Suit was brought by one textile converter against another and its president for infringement of the copyright in a design pattern for printing on fabric. The District Court, Lasker, J., held that: (1) plaintiff was the registered owner of a copyright in Pattern No. 36790 and the design was an original work; (2) defendant's design was copied from plaintiff and defendant infringed plaintiff's copyright in the pattern, where an examination of the two designs showed that their overall effect was identical and that an ordinary observer of garments made out of fabric printed with those designs who was not searching for their differences would conclude that they were the same design, even though there were changes in details; (3) plaintiff was entitled to a permanent injunction; (4) statutory damages for infringement of plaintiff's copyright were appropriate not only because actual damages were difficult of ascertainment, but also because the copying was willfully performed by defendants; however, plaintiff offered no justification for the amount of \$50,000 which it requested and, accordingly, statutory damages would be awarded in an amount to be determined upon further submission by plaintiff; (5) the individual defendant was personally liable for the infringement; and (6) an award of attorney fees was appropriate.

Order in accordance with opinion.

1. Copyrights and Intellectual Property

In suit brought by one textile converter against another and its president for infringement of copyright in a design pattern for printing on fabric; the uncontroverted facts established at trial clearly demonstrated that plaintiff was the registered owner of the copyright in Pattern No. 36790 and that the design was an original work.

2. Copyrights and Intellectual Property

Aesthetic appeal of the fabric design in question is determinative of copyright infringement of the design, and differences in detail which do not effect the overall appearance of the fabric do not negate infringement.

3. Copyrights and Intellectual Property

Defendant textile converter's design was copied from plaintiff's Pattern No. 36790 and defendant infringed plaintiff's copyright in that pattern, where an examination of the two designs showed that their overall effect was identical and that an ordinary observer of garments made out of fabric printed with those designs who was not searching for their differences would conclude that they were the same design, even though there were changes in detail.

4. Copyrights and Intellectual Property

Owner of copyrighted fabric design was entitled to a permanent injunction prohibiting defendants from copying the copyrighted pattern.

5. Copyrights and Intellectual Property

Since, in suit brought by one textile converter against another and its president for infringement of copyright in a design pattern for printing on fabric, no evidence as to defendant's sales was introduced, it could not be determined how much actual damage occurred to plaintiff as a result of defendant's infringement of the copyright.

6. Copyrights and Intellectual Property

Statutory damages for infringement of plaintiff's copyright in design pattern for printing on fabric were appropriate not only because actual damages were difficult of ascertainment, but also because the copying was willfully performed by defendants; however, plaintiff offered no justification for the amount of \$50,000 which it requested, and, accordingly, statutory damages would be awarded in an amount to be determined upon further submission by plaintiff. 17 U.S.C.A. § 504(c)(2).

7. Evidence

Where defendant's president refused to testify at trial of copyright infringement suit, and where the proffered excuse was that he did not feel well enough to take the stand, the court was entitled to find such excuse to have been a pretense and to draw a negative inference from the officer's failure to testify.

8. Corporations

An individual, including a corporate officer, who has the ability to supervise infringing activity and has a financial interest in that activity, or who personally participates in that activity, is personally liable for the copyright infringement.

9. Corporations

Corporate president and operating head, who as the corporation's officer prepared design found to be infringing of plaintiff's copyright, and who sold fabric printed with that design, was individually liable because he had control over and a financial interest in the infringing activity and because he personally participated in that activity.

10. Copyrights and Intellectual Property

An award of attorney fees against defendants, who infringed plaintiff's copyright in a design pattern for printing on fabric, was particularly appropriate, as the copying was willful and constituted a continuation of defendant corporate officer's business practice over at least five years. 17 U.S.C.A. § 505.

Helfat & Helfat, New York City, for plaintiff; Bernard A. Helfat, New York City, of counsel.

Fogel, Kamhi & Spiegler, P. C., New York City, for defendants; Martin Fogel, New York City, of counsel.

LASKER, District Judge. Lauratex Textile Corp. is a textile converter, which prepares and produces new designs for printing on fabric sold to garment manufacturers. Lauratex sues Allton Knitting Mills, Inc., another textile converter, and its president and operating head, Martin Levine, for allegedly copying Lauratex's design known as "Pattern # 36790 Show-Off" (Plaintiff's Exhibit 3).

Allton contends that its pattern (Plaintiff's Exhibit 8) is "vastly different," that Lauratex's design is not original, and even if it was that Allton's design is original and not copied from Pattern # 36790.

A. Originality of Lauratex's Design

[1] The uncontroverted facts established at trial clearly demonstrate that Lauratex is the registered owner of a copyright in Pattern # 36790 and that the design is an original work.

Jerry Sander, the director of Lauratex's art department, testified that he bought the original sketch (Plaintiff's Exhibit 1) from the Farkas-Ortenzi design studio in Como, Italy and then supervised the translation of the sketch into a design suitable for repeat printing on fabric. The design was first published on July 25, 1978 with a notice of copyright on the selvage. Lauratex applied for a copyright for this design on February 11, 1980, and one was issued on February 12, 1980.¹ (Plaintiff Exhibit 4).

B. Originality of Allton's Design

[2] In *Peter Pan Fabrics, Inc. v. Martin Weiner Corp.*, 274 F.2d 487 (2d Cir. 1960), the Second Circuit, affirming the grant of a preliminary injunction prohibiting the defendant from copying plaintiff's design, stated that the aesthetic appeal of the design in question is determinative of copyright infringement of a fabric design and that differences in detail which do not affect the overall appearance of the fabric do not negate infringement.

"In the case of designs, which are addressed to the aesthetic sensibilities of an observer, the test is, if possible, even more intangible [than in the case of verbal works]. No one disputes that the copyright extends beyond a photographic reproduction of the design, but one cannot say how far an imitator must depart from an undeviating reproduction to escape infringement. In deciding that question one should consider the uses for which the design is intended, especially the scrutiny that observers will give to it as used. In the case at bar we must try to estimate how far its overall appearance will determine its aesthetic appeal when the cloth is made into a garment. Both designs have the same general color, and the arches, scrolls, rows of symbols, etc. on one resemble those on the other though they are not identical. Moreover, the patterns in which these figures are distributed to make up the design as a whole are not identical. However, the ordinary observer, unless he set out to detect the disparities, would be disposed to overlook them, and regard their aesthetic appeal as the same. That is enough; and indeed, it is all that can be said unless protection against infringement is to be denied because of variants irrelevant to the purpose for which the design is intended."

Id. at 489. *Accord Malden Mills, Inc. v. Regency Mills, Inc.*, 626 F.2d 1112 (2d Cir. 1980).

¹Joseph Heaven, Lauratex's sales manager, explained that the reason for the gap between the original publication and the application for copyright registration was that he had thought the design had been copyrighted until the files were checked after discovery of the Allton design. When those files revealed that the pattern was not registered, an application was filed.

[3] From an examination of the Lauratex and Allton designs, we find that their overall effect is identical, and that an ordinary observer of garments made out of fabric printed with those designs who was not searching for their differences would conclude that they are the same design. Both designs are floral prints on a white background bordered by a narrower stripe containing another design. Both uses precisely the same color combinations in the same balance of colors.² In both, the flowers are the same size and are clustered in the same manner. There are more flowers in deeper colors near the border and in both the flowers "trickle" out into a lower concentration and in lighter colors as they move away from the border. In the same area in which the flowers trickle out, there appear vines which alternate in the same two colors and have leaves attached to them in the same colors and occasionally in green. Both border designs contain a scroll-like curl which is repeated.

It is true the designs are not identical. The flowers are shaped differently, the Allton design has more white per area unit than does the Lauratex design, and the borders contain different designs other than the scroll shape mentioned earlier. However, these changes in detail do not alter the overall effect which to an ordinary observer would appear to be identical to that of the Lauratex design.

Accordingly, we find that the Allton design was copied from the Lauratex Pattern # 36790 and that Allton has infringed Lauratex's copyright in that pattern.

C. Relief

[4] Lauratex's motion for a permanent injunction prohibiting defendants from copying Pattern # 36790 is granted.

[5] Lauratex argues that damages should be assessed according to its own profit margin and Allton's sales of the infringing design. However, no evidence as to Allton's sales was introduced, although there was evidence generally establishing Lauratex's profit on this design.³ Accordingly, it cannot be determined how much actual damage occurred to Lauratex as a result of Allton's infringement.

²It should be noted that Allton's design used the same colors as Lauratex's not once but twice. Each of two differently colored designs of Allton match precisely the colors in each of two of Lauratex's designs. Compare Plaintiff's Exhibit 3 with Plaintiff's Exhibit 8 and Plaintiff's Exhibit 7 with Defendants' Exhibit A.

³Sander testified that it cost \$5,000 to produce this design, but that Lauratex also spends \$2-2½ million annually to produce 450-500 designs. Out of those designs only six have the degree of success achieved by # 36790. Heaven agreed with these statements and testified that Lauratex sold the design for \$2.15-2.60 per square yard (and in sheer material from \$2.10-2.60) and that a total of 650,000 yards have been printed, and all were sold.

Lauratex also seeks \$50,000 in statutory damages under 17 U.S.C. § 504(c)(2), which provides in relevant part:

“In a case where the copyright owner sustains the burden of proving, and the court finds, that infringement was committed willfully, the court in its discretion may increase the award of statutory damages to a sum of not more than \$50,000.”

[6, 7] We agree that statutory damages are appropriate in this case, not only because actual damages are difficult of ascertainment, *see, e.g., Lottie Joplin Thomas Trust v. Crown Publishers, Inc.*, 592 F.2d 651, 657 (2d Cir. 1978); *Peter Pan Fabrics, Inc. v. Jobela Fabrics, Inc.*, 329 F.2d 194, 196 (2d Cir. 1964), but because the copying here was willfully performed by the defendants. Moreover, it appears that Levine, through other of his corporations, has been a defendant to copyright infringement suits brought by converters ten times (including this action) in the last five years. Five of those actions were settled, two are still pending and two resulted in judgments in favor of the plaintiffs.⁴ The inference is inescapable that Levine has made a practice of copying the designs of other converters, and that an award of statutory damages is appropriate as a deterrent to further activity of this kind. Finally, Levine refused to testify at trial, and we find the excuse offered, that he did not feel well enough to take the stand, to have been a pretense, and draw a negative inference from his failure to testify.

However, Lauratex has offered no justification for the amount of \$50,000 which it requests. Accordingly, statutory damages will be awarded in an amount to be determined upon further submission by Lauratex.

D. Liability of Levine

[8] An individual, including a corporate officer, who has the ability to supervise infringing activity and has a financial interest in that activity, or who personally participates in that activity is personally liable for the infringement. *Gershwin Publishing Corporation v. Columbia Artists Management, Inc.*, 443 F.2d 1159, 1161–62 (2d Cir. 1971); *Shapiro, Bernstein & Co. v. H. L. Green Company*, 316 F.2d 304, 307 (2d Cir. 1963); *Lottie Joplin Thomas Trust v. Crown Publishers Inc.*, 456 F.Supp. 531, 537 (S.D.N.Y.1977), *aff'd*, 592 F.2d 651 (2d Cir. 1978); *Samet & Wells, Inc. v. Shalom Toy Co.*, 429 F.Supp. 895, 903–04 (E.D.N.Y.1977), *aff'd without opinion*, 578 F.2d 1369 (2d Cir. 1978).

[9] It is stipulated that Levine was Allton's president and operating head and that as Allton's officer he prepared the design found here to be infringing, and sold fabric printed with that design. Pre-Trial Order, ¶¶ 5, 6. Accordingly, we find that Levine is individually liable because he had con-

⁴Plaintiff's Exhibit 9 contains copies of the docket sheets of those cases brought in this court.

trol over and a financial interest in the infringing activity and because he personally participated in that activity.

E. Attorneys Fees

Lauratex seeks \$10,000 in attorneys fees under 17 U.S.C. § 505.

[10] It is particularly appropriate to award attorneys fees here. We have found that the copying was willful, and that it constituted a continuation of Levine's business practice over at least five years.

The determination of the actual amount of fees to be awarded revolves about a number of factors, including the amount of time spent on this case, "the amount of work necessary, the amount of work done, the skill employed, the monetary amount involved and the result achieved." *Orgel v. Clark Boardman Co.*, 301 F.2d 119, 122 (2d Cir.), *cert. denied*, 371 U.S. 817, 83 S.Ct. 31, 9 L.Ed.2d 58 (1962); *see City of Detroit v. Grinnell Corporation*, 495 F.2d 448 (2d Cir. 1974). Since Lauratex has not submitted any evidence as to these matters, the amount of fees to be awarded will be determined upon further submissions by Lauratex.

In sum, Allton and Levine are permanently enjoined from copying Lauratex's design and are jointly liable to Lauratex for statutory damages and attorneys fees in amounts to be determined.⁵

This opinion constitutes the court's finding of fact and conclusions of law pursuant to Rule 52(a) of the Federal Rules of Civil Procedure.

IT IS SO ORDERED.

⁵Lauratex argues that Levine should be held in contempt of court because of the statements he made in an affidavit filed in this case that neither Holland Fabrics Inc. nor he in his individual capacity prepared the fabric attached to the complaint. Lauratex argues that the statement is false because Levine is the president of Allton and Allton manufactured that fabric. While the statement was misleading, it was not inaccurate, since the material was not manufactured by Levine in his individual capacity. Consequently, we decline to hold Levine in contempt.

LAURATEX TEXTILE CORP., Plaintiff, v. ALLTON KNITTING MILLS, INC. and Martin Levine, Defendants

No. 80 Civ. 5318 (KTD)

(United States District Court, S. D. New York—August 3, 1981)

519 F.Supp. 730. 215 USPQ 521

[See also 517 F.Supp. 900, 214 USPQ 203, and *supra* (S.D.N.Y., May 15, 1981)]

Holder of copyright on fabric brought action for infringement. The District Court, Kevin Thomas Duffy, J., held that: (1) copyright of fabric design had been infringed; (2) infringement was willful; (3) court would enjoin future infringement; (4) court would award \$40,000 in statutory damages; and (5) individual who directly caused corporate defendant to infringe and personally participated in the infringing acts was jointly and severally liable for the infringement.

Judgment for plaintiff.

1. Copyrights and Intellectual Property

Evidence that defendant's fabric design was the same as plaintiff's except for a slight difference in the shade of background and the absence of black lines around certain features, that defendant produced its design after plaintiff first sold his design and that defendant sold its fabric to certain plaintiff's customers demonstrated that defendant had copied plaintiff's design and thereby infringed its copyright. 17 U.S.C.A. § 501.

2. Copyrights and Intellectual Property

Permanent injunction to prevent or restrain the infringement of a copyright is appropriate where money damages will not suffice. 17 U.S.C.A. § 502.

3. Copyrights and Intellectual Property

Where there was a strong probability that defendant would, in the future, continue to infringe plaintiff's copyright and defendant had already sold several thousand yards of fabric containing the copyrighted design and had the engraving to produce more, court would enjoin future copyright infringement. 17 U.S.C.A. § 502.

4. Copyrights and Intellectual Property

Statutory damages are appropriate where measure of actual damages is difficult to prove. 17 U.S.C.A. § 504.

5. Copyrights and Intellectual Property

Evidence that defendant did not begin to mass produce infringing fabric design until nearly nine months after plaintiff had already established a successful market, the defendant did not attempt to copyright its design, and that defendant went directly to one of plaintiff's best customers when it finally produced its fabric demonstrated that the infringement was willful.

6. Copyrights and Intellectual Property

In view of evidence that defendant's net profit from infringement of fabric copyright was \$5,000, that infringement was willful, and that six copyright infringement cases had been brought within the last three years against the defendant, court would award statutory damages in the amount of \$40,000 to the plaintiff.

7. Copyrights and Intellectual Property

An individual, who directly causes a corporate defendant to infringe a copyright and personally participates in the acts constituting infringement is jointly and severally liable for the infringement.

8. Copyrights and Intellectual Property

Successful plaintiff in copyright infringement action, who showed that there had been willful infringement of its copyrighted fabric design, would receive \$2,500 in attorney fees in addition to \$40,000 in statutory damages.

Helfat & Helfat, New York City, for plaintiff; Bernard A. Helfat, New York City, of counsel.

Fogel, Kamhi & Spiegler, New York City, for defendants; Martin W. Fogel, New York City, of counsel.

OPINION

KEVIN THOMAS DUFFY, *District Judge*. This is an action for injunctive relief and damages based upon the alleged infringement of a copyright under 17 U.S.C. § 501 (1976). Plaintiff Lauratex Textile Corp. ["Lauratex"] is a New York corporation engaged in the business of converting greige goods into printed textiles for apparel. The plaintiff accuses the defendants Allton Knitting Mills, Inc., a New York corporation, and Martin Levine, its president and sole employee, of duplicating a fabric design which plaintiff had created, copyrighted and successfully sold in the market. The defendants allegedly sold this copied version to several of plaintiff's customers at a lower price. Less than one month after the complaint was filed, the defendants consented to a preliminary injunction from the further production of this fabric design. The parties were unable to agree, however, on an appropriate measure of damages. Consequently, a one day nonjury trial was held before me on January 8, 1981. The following shall constitute my findings of fact and conclusions of law.

I

This is not a case where the alleged infringement results from a design which is similar but not identical to that belonging to the plaintiff. *See, e.g., Harlequin v. Gulf and Western Company*, 644 F.2d 946 (2d Cir. 1981); *Malden Mills Inc. v. Regency Mills Inc.*, 626 F.2d 1112 (2d Cir. 1980). Here, the defendant has produced a fabric which is virtually identical to that produced by the plaintiff. The lines, shapes and colors of the fabric designs on both parties' products are the same. The only perceivable distinctions are a slight difference in the shade of the background color and the absence, in the defendant's fabric pattern, of black lines around the bow-like figures which appear in both patterns. The background color difference can be explained by the respective manufacturing methods used

by the parties. The plaintiff printed the design on a 100 percent polyester fabric using a screen-printing process. The defendant Martin Levine testified that he also used 100 percent polyester fabric but imprinted the design by way of a heat-transfer method. The absence of black lines around the figures in the defendant's pattern amounts to an insignificant distinction between the two fabric designs.

Mr. Jerry Sander, a stylist for Lauratex, testified that Lauratex purchased the design in question from an English design studio in August, 1979. The invoice from that sale was introduced into evidence at trial. Plaintiff began to make fabric with this design in January, 1980 and obtained a copyright for the design in April, 1980. The defendant Levine testified that he came upon the same design at a fashion show in Milan, Italy in November, 1979. He purchased a piece of the fabric which contained the pattern design at that time. Levine began producing about 3,100 yards of the fabric in September, 1980.

[1] Regardless of where the defendant claims he actually obtained the pattern, it is clear that the plaintiff had a valid copyright on the design, that the defendants had a reasonable opportunity to copy that design since January, 1980 when plaintiff first sold it, and that the defendants produced an identical design thereafter. From the credible evidence adduced at trial, there is substantial proof that the defendants copied plaintiff's design and thereby infringed its copyright within the meaning of 17 U.S.C. § 501. See *Novelty Textile Mills v. Joan Fabrics Corp.*, 558 F.2d 1090 (2d Cir. 1977).

II

Having determined that an infringement has occurred, the question remains as to what is an appropriate remedy. The plaintiff has asked for a permanent injunction, statutory damages in the sum of \$50,000, and attorney's fees in the sum of \$10,000.

[2, 3] A permanent injunction to prevent or restrain the infringement of a copyright is provided for in 17 U.S.C. § 502 and is appropriate where money damages would not suffice. Here, the evidence shows that there exists a strong probability that the defendant will, in the future, continue to infringe plaintiff's copyright. The defendants already have sold several thousand yards of fabric containing the design. Moreover, the defendant Levine has the engraving to produce more. For these reasons, a permanent injunction will issue.

Turning to the question of money damages, the plaintiff has requested statutory damages under 17 U.S.C. § 504 (1976).¹ This section provides in

¹17 U.S.C. § 504 provides:

(a) In General—Except as otherwise provided by this title, an infringer of copyright is liable for either—

(1) the copyright owner's actual damages and any additional profits of the infringer, as provided by subsection (b); or

(2) statutory damages, as provided by subsection (c).

part that the court may, in its discretion, award damages up to \$50,000 where the plaintiff copyright owner proves that the infringement was committed willfully. 17 U.S.C. § 504(c)(2). If the infringement is not found to be willful, damages between \$250 and \$10,000 may be awarded. *Id* § 504(c)(1).

[4] In general, statutory damages are appropriate where, as here, the measure of actual damages is difficult to prove. *See Russell v. Price*, 612 F.2d 1123 (9th Cir. 1979), *cert. denied*, 446 U.S. 952, 100 S.Ct. 2919, 64 L.Ed.2d 809 (1980). The broad discretionary power given courts to make such an award serves the dual purposes of the Copyright Act: to compensate copyright owners and to provide a deterrent for would-be infringers. *Lottie Joplin Thomas Trust v. Crown Publishers*, 592 F.2d 651 (2d Cir. 1978). Actual damages to the copyright owner usually are measured in terms of lost profits. It is often difficult to speculate, however, what the plaintiff's sales would have been had there been no infringement. Here, computing plaintiff's lost profits is complicated by the lower price which defendant charged for their infringing goods. At trial, the defendant Levine testified that he charged \$1.67 per yard. The plaintiff charged \$2.60 per yard. It is quite possible that defendants' lower price resulted in more sales volume than would have been achieved by the plaintiff. Thus, applying defendants' sales volume to plaintiff's price in order to compute lost profits would be misleading. It is possible, on the other hand, to compute defendants' profits from the evidence presented at trial and use that as an approximate measure of plaintiff's damages. Levine testified that he

(b) Actual Damages and Profits—The copyright owner is entitled to recover the actual damages suffered by him or her as a result of the infringement, and any profits of the infringer that are attributable to the infringement and are not taken into account in computing the actual damages. In establishing the infringer's profits, the copyright owner is required to present proof only of the infringer's gross revenue, and the infringer is required to prove his or her deductible expenses and the elements of profit attributable to factors other than the copyrighted work.

(c) Statutory Damages.—

(1) Except as provided by clause (2) of this subsection, the copyright owner may elect, at any time before final judgment is rendered, to recover, instead of actual damages and profits, an award of statutory damages for all infringements involved in the action, with respect to any one work, for which any one infringer is liable individually, or for which any two or more infringers are liable jointly and severally, in a sum of not less than \$250 or more than \$10,000 as the court considers just. For the purpose of this subsection, all the parts of a compilation or derivative work constitute one work.

(2) In a case where the copyright owner sustains the burdens of proving, and the court finds, that infringement was committed willfully, the court in its discretion may increase the award of statutory damages to a sum of not more than \$50,000. In a case where the infringer sustains the burden of proving, and the court finds, that such infringer was not aware and had no reason to believe that his or her acts constituted an infringement of copyright, the court in its discretion may reduce the award of statutory damages to a sum of not less than \$100.

produced approximately 3,100 yards of the fabric and sold it to two of plaintiff's customers. This amounts to gross profits of \$5,177. The defendants did not offer any proof of expenses or costs related to these sales. This figure will provide a basis for examining an appropriate amount of statutory damages.

[5, 6] To determine what amount of statutory damages should be awarded, it must be decided whether the defendants willfully copied the plaintiff's protected fabric design. The record before me mandates an affirmative answer to this question. The defendant Levine claims that he purchased a piece of fabric containing the design in Europe in November, 1979. He did not mass produce the fabric design and sell it, however, until September, 1980, nearly nine months after the plaintiff had already established a successful market in the design and five months after the plaintiff copyrighted it. At no time did the defendant Levine attempt to copyright the design he allegedly obtained in Europe. When he finally produced it, he went directly to one of plaintiff's best customers. Under the circumstance, the defendant can hardly be called an innocent infringer. Although no specific proof has been presented to show that Levine knew of the plaintiff's copyright, it is clear that, at the very least, he acted with a reckless disregard for the rights the plaintiff had in the design.

In addition, the plaintiff presented at trial docket sheets in six copyright infringement cases brought within the last three years against Levine. Four of these cases have been settled. This provides one more indication that the business of enroaching upon others' copyrights is not unfamiliar to the defendant. For these reasons, the defendant appears to have infringed plaintiff's copyright willfully.

Accordingly, in light of the amount of actual damages shown by the plaintiff and the defendant's willful infringement, statutory damages are awarded to the plaintiff in the amount of \$40,000.

[7] At the conclusion of this trial, the defendant Levine moved to dismiss the action on the theory that all of his acts proved at trial were really those of the corporate defendant. As a result, it is asserted that he should not be held individually liable for any damages to plaintiff. *Cf. Walkovsky v. Carlton*, 18 N.Y.2d 414, 276 N.Y.S.2d 585, 223 N.E.2d 6 (1966) (corporate veil not pierced because of absence of fraud). This argument is unavailing because of the defendant Levine's control over the corporate defendant. Levine is the sole stockholder and officer of Allton Knitting Mills, Inc. Where an individual directly causes a corporate defendant to infringe and personally participates in the acts constituting the infringement, he is jointly and severally liable for the infringement. *See Lottie Joplin Thomas Trust v. Crown Publishers*, 456 F.Supp. 531 (S.D.N.Y.1977), *aff'd* 592 F.2d 651 (2d Cir. 1978). Thus, both defendants are jointly and severally liable for the plaintiff's \$40,000 damage award.

[8] Finally, plaintiff is awarded attorneys' fees in the amount of \$2,500. The award of these fees, in addition to statutory damages, is within the discretion of this court and serves the purpose of the Copyright Act to compensate plaintiff and deter such flagrant infringements as occurred here. See *Boz Scaggs Music v. KND Corp.*, 491 F.Supp. 908 (D.Conn.1980); *Samet & Wells, Inc. v. Shalom Toy Co., Inc.*, 429 F.Supp. 895 (S.D.N.Y.1977), *aff'd*, 578 F.2d 1369 (2d Cir. 1978).

LEIBOVITZ v. COLUMBIA BROADCASTING SYSTEM, INC.

No. 79-799

(United States District Court, D. Massachusetts—Decided January 29, 1981)

213 USPQ 289

Action by Morris Leibovitz, against Columbia Broadcasting System, Inc., for copyright infringement and breach of implied contract. On cross-motions for summary judgment. Defendant's motion granted.

UNFAIR COMPETITION

1. Miscellaneous cases

Originator's unconditional public disclosure of idea makes it property of all and deprives originator of any further proprietary rights in it.

COPYRIGHTS

2. Matter copyrightable—In general

Copyright law does not extend to protection of mere ideas or concepts, but rather covers only particular mode of expressing these ideas or concepts.

Morris Leibovitz, pro se.

Michael J. Liston, and Palmer & Dodge, both of Boston, Mass., for defendant.

ZOBEL, District Judge. This is a civil action between plaintiff, Morris Leibovitz, a citizen of Massachusetts and defendant Columbia Broadcasting System (CBS), a New York corporation with its principal place of business in New York. Jurisdiction is predicated upon diversity of citizenship.

Plaintiff alleges that on or about October, 1972, CBS converted to its own use certain of his ideas for television programs and specials. Leibovitz

alleges that these ideas were contained in a letter sent by him to CBS in August or September 1972, in which he requested employment and included a series of suggestions in an attempt to demonstrate his creative abilities. He contends that CBS ultimately used these ideas for its own benefit but that it never offered him employment or other compensation therefor. As a result Leibovitz claims \$175,000 in damages. The case is before me on cross motions for summary judgment.

[1] An examination of the pleadings, interrogatories, and deposition testimony indicates that defendant is entitled to prevail on its motion for summary judgment. It is uncontroverted that plaintiff disclosed his ideas to defendant in an unsolicited letter seeking employment. The unconditional public disclosure of an idea by the originator makes it the property of all and operates to deprive the originator of any further proprietary rights in it. *J. Irizarry Y Puente v. President & Fellows of Harvard College*, 248 F.2d 799, 115 USPQ 202 (1st Cir. 1957). Although plaintiff could have protected his idea by contract, he failed to do so. An unsolicited disclosure cannot impose upon defendant an implied contractual or fiduciary relationship. *Bowen v. Yankee Network Inc.*, 46 F.Supp. 62, 54 USPQ 177 (D.C. Mass. 1942). Thus plaintiff's theory of implied contract must fail as a matter of law.

[2] Additionally, plaintiff may not recover on his theory of copyright infringement. Aside from his total failure to allege any copyright protection, the copyright law does not extend to the protection of mere ideas or concepts but rather covers only a particular mode of expressing these ideas or concepts. *Morrissey v. Procter & Gamble Co.*, 262 F.Supp. 737, 152 USPQ 668 (D.Mass. 1967). Consequently, plaintiff's claim for copyright infringement fails as a matter of law.

Defendant's motion for summary judgment is ALLOWED and judgment may be entered accordingly. Plaintiff's motion for summary judgment is DENIED.

MCA, INC., d/b/a MCA Music, a division thereof, Plaintiff-Appellee, v. Earl **WILSON**, Jr., Phil Oesterman, Billy Cunningham, LMPC Music Co., Libra Records, The Libra Company, Art D'Lugoff, d/b/a The Village Gate, Defendants; Earl Wilson, Jr., Arthur D'Lugoff, Defendants-Appellants

Nos. 934, 935, Dockets 80-7776, 80-7886

(United States Court of Appeals, Second Circuit—Argued April 29, 1981—Decided July 30, 1981)

677 F.2d 180. 211 USPQ 577

[See also 425 F.Supp. 443, 199 USPQ 166, 41 C.O.Bull. 495 (S.D.N.Y., Oct. 21, 1976); 425 F.Supp. 457, 41 C.O.Bull. 514 (S.D.N.Y., Jan. 6, 1977)]

Copyright infringement action was brought. The United States District Court for the Southern District of New York, Irving Cooper, J., 425 F.Supp. 443, entered judgment for plaintiff and awarded damages, and defendants appealed. The Court of Appeals, Van Graafeiland, Circuit Judge, held that: (1) defendant's use of song "Cunnilingus Champion of Company C" was not fair use of song "Boogie Woogie Bugle Boy of Company B" since infringing song was neither parody nor burlesque of infringed song; (2) award of percentage of salary of president of cabaret in which infringed song was performed as damages for illegal profits was improper where salary was not contingent upon or fixed by profits of the show; (3) 130-week running of show in which infringing song appeared constituted one continuing infringement for purposes of awarding in lieu damages; and (4) award of attorney fees in amount of \$20,000 was excessive, and \$10,000 fair and adequate, where plaintiff was successful only in recovering on its statutory copyright claim and not on its claim for common-law copyright infringement.

Affirmed.

Mansfield, Circuit Judge, dissented and filed opinion.

1. Copyrights and Intellectual Property

In determining whether particular use of copyrighted work is fair, court may consider whether work was creative, imaginative, and original, and whether it represented substantial investment of time and labor made in anticipation of financial return. 17 U.S.C.A. § 107.

2. Copyrights and Intellectual Property

In determining whether particular use of copyrighted work is fair, court should look at purpose and character of alleged infringing use, including its commercial or nonprofit educational motivation or design. 17 U.S.C.A. § 107.

3. Copyrights and Intellectual Property

While commercial motivation and fair use can exist side by side, court may consider whether alleged infringing use of copyrighted work was primarily for public benefit or for private commercial gain. 17 U.S.C.A. § 107.

4. Copyrights and Intellectual Property

In determining whether particular use of copyrighted work is fair, court may consider whether paraphrasing and copying was done in good faith or with evasive motive. 17 U.S.C.A. § 107.

5. Copyrights and Intellectual Property

Use of copyrighted material without owner's consent generally will not be considered reasonable if it extensively copies or paraphrases original or bodily appropriates research upon which original was based. 17 U.S.C.A. § 107.

6. Copyrights and Intellectual Property

Use of song "Cunnilingus Champion of Company C" was not fair use under copyright law of song "Boogie Woogie Bugle Boy of Company B" where songs were competitors in entertainment field, infringing song was neither parody nor burlesque of infringed song, and amount copied from infringed song was so substantial as to be unfairly excessive. 17 U.S.C.A. § 107.

7. Copyrights and Intellectual Property

Rule that all defendants concerned in copyright infringement case are jointly and severally liable applies only to defendants' liability for damages; insofar as there is liability for illegal profit, liability is several and one defendant is not liable for profit made by another.

8. Copyrights and Intellectual Property

In copyright infringement case, award of percentage of salary of president of cabaret at which copyrighted work was performed as damages for illegal profit was improper where salary paid to president was not profit from infringed work since there was no proof that his salary was contingent upon or fixed by profits of the show in which the infringed work appeared.

9. Copyrights and Intellectual Property

In copyright infringement case, performance of infringing song at cabaret in musical which ran 130 weeks would be treated, for purposes of award of in lieu damages, one continuing infringement rather than 130 separate infringements where substantial award based on profits was made and where preliminary injunctive relief was not sought. 17 U.S.C. (1976 Ed.) § 101(b); 17 U.S.C.A. § 504(c)(1).

10. Copyrights and Intellectual Property

In copyright infringement case, plaintiffs were not entitled to statutory damages from publication of infringing song in program for show in which song appeared where only lyrics were published. 17 U.S.C. (1976 Ed.) § 101(b).

11. Copyrights and Intellectual Property

In copyright infringement case, award of attorney fees in amount of \$20,000 to plaintiffs was excessive, and award of \$10,000 fair and adequate, where plaintiff was successful in recovering only on its statutory copyright claim and not on its common-law copyright claim, plaintiff opted to pursue lengthy process leading to substantial damage award rather than seeking preliminary injunctive relief, and award would be borne in substantial part by defendant whose role in infringement was minimal and whose liability was questionable.

Roy M. Cohn, New York City (Saxe, Bacon & Bolan, P. C., Michael Rosen, Lawrence M. Abramson, New York City, of counsel), for defendant-appellant Earl Wilson, Jr.

Max R. Millman, Philadelphia, Pa. (David N. Stein, New York City, on the brief), for defendant-appellant Art D'Lugoff.

Robert C. Osterberg, Abeles Clark & Osterberg, New York City, for plaintiff-appellee MCA, Inc.

Before LUMBARD, MANSFIELD and VAN GRAAFEILAND, Circuit Judges.

VAN GRAAFEILAND, *Circuit Judge*: From January 1974 until July 1976, a show called "Let My People Come" was performed at the Village Gate, a cabaret in the Greenwich Village section of New York City. Thereafter, it had short runs in several other cabarets and legitimate theaters. The producers, perhaps wisely, refrained from seeking reviews by established theater critics. However, columnists who viewed the production described it, among other things, as an "erotic nude show" with "sex content raunchy enough to satisfy the most jaded porno palate", a show whose "main concern is not fornication but fellatio and cunnilingus."

The music in the show was said by one columnist to sound "like something we've heard before but definitely not with these words." One of the songs, described by reporters as a "take-off" on the Andrew Sisters' and Bette Midler's renditions of a copyrighted song called "Boogie Woogie Bugle Boy" is the subject of this litigation. Following a non-jury trial before Judge Cooper in the United States District Court for the Southern District of New York, MCA, Inc., the copyright owner, was awarded a total of \$324,955.00 against various participants in the theatrical venture for infringement of the copyright on this song. Judge Cooper's opinion is reported in 425 F.Supp. at 443, and familiarity with it is assumed.

Boogie Woogie Bugle Boy is the alliterative description of a soldier in "Company B" who hailed from Chicago. During early rehearsals for Let My People Come, defendant Wilson played for the cast a rough version of a song he had composed which alliteratively described the "Cunnilingus Champion of Company C" who came from Memphis or maybe St. Joe. As Judge Cooper found, cast members immediately commented concerning the similarities between the two songs. 425 F.Supp. at 448. Because it was felt that the similarities would create publicity, they were not eliminated; indeed, to some extent, they appear to have been fostered. *Id.* Our review of the testimony, lay and expert, and the visual and aural impressions we have gained from the songs themselves satisfy us that the district court's factual finding of substantial similarity was not clearly erroneous. *See Ideal Toy Corp. v. Fab-Lu Ltd.*, 360 F.2d 1021, 1022 (2d Cir. 1966); Fed.R.Civ.P. 52(a). Unless, therefore, defendants' incorporation of the song into their show constituted fair use under the copyright law, plaintiff has established its claim of copyright infringement.

In asserting the defense of fair use, defendants contend that they were using plaintiff's copyrighted song in a reasonable manner and that therefore they were not required to secure plaintiff's consent. *See Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200, 205-06 (2d Cir. 1979); *Time, Inc. v. Bernard Geis Associates*, 293 F.Supp. 130, 144 (S.D.N.Y.1968). When weighing the merits of a defense such as

this, a court does not have the benefit of either a statutory or judicial definition of what is reasonable and fair. It has instead certain suggested criteria to which it may look in making this determination.

Section 107 of the 1976 Copyright Act Revisions, 17 U.S.C. § 107, which, although not controlling herein, is intended to be a codification of preexisting law, *see Meeropol v. Nizer*, 560 F.2d 1061, 1068-69 (2d Cir. 1977), *cert. denied*, 434 U.S. 1013, 98 S.Ct. 727, 54 L.Ed.2d 756 (1978), provides in part that the "fair use of a copyrighted work . . . for purposes such as criticism, comment, news reporting, teaching, . . . scholarship, or research is not an infringement of copyright." The statute then sets forth four factors to be considered in determining whether a particular use is fair.

[1] The court should, for example, look at the nature of the copyrighted work. In so doing, the court may consider, among other things, whether the work was creative, imaginative, and original, *New York Times Co. v. Roxbury Data Interface, Inc.*, 434 F.Supp. 217, 221 (D.N.J.1977), and whether it represented a substantial investment of time and labor made in anticipation of a financial return, *Wainwright Securities Inc. v. Wall Street Transcript Corp.*, 558 F.2d 91, 96 (2d Cir. 1977), *cert. denied*, 434 U.S. 1014, 98 S.Ct. 730, 54 L.Ed.2d 759 (1978).

[2-4] The court should also look at the purpose and character of the alleged infringing use, including its commercial or non-profit educational motivation or design. While commercial motivation and fair use can exist side by side, the court may consider whether the alleged infringing use was primarily for public benefit or for private commercial gain. *Meeropol v. Nizer*, *supra*, 560 F.2d at 1069; *Rosemont Enterprises, Inc. v. Random House, Inc.*, 366 F.2d 303, 307 (2d Cir. 1966), *cert. denied*, 385 U.S. 1009, 87 S.Ct. 714, 17 L.Ed.2d 546 (1967); *Marvin Worth Productions v. Superior Films Corp.*, 319 F.Supp. 1269, 1275 (S.D.N.Y.1970). The court may also consider whether the paraphrasing and copying was done in good faith or with evasive motive. *Roy Export Company Establishment of Vaduz, Liechtenstein, Black, Inc. v. Columbia Broadcasting System, Inc.*, 503 F.Supp. 1137, 1146-47 (S.D.N.Y.1980); *Nutt v. National Institute Incorporated for the Improvement of Memory*, 31 F.2d 236, 237 (2d Cir. 1929).

[5] The third factor concerns the extent of the copying. Use of copyrighted material without the owner's consent generally will not be considered reasonable if it extensively copies or paraphrases the original or bodily appropriates the research upon which the original was based. *Rosemont Enterprises, Inc. v. Random House, Inc.*, *supra*, 366 F.2d at 310; *Walt Disney Productions v. Mature Pictures Corp.*, 389 F.Supp. 1397, 1398 (S.D.N.Y.1975); *see Walt Disney Productions v. Air Pirates*, 581 F.2d 751, 756 (9th Cir. 1978), *cert. denied*, 439 U.S. 1132, 99 S.Ct. 1054,

59 L.Ed.2d 94 (1979); *Universal City Studios, Inc. v. Sony Corp. of America*, 480 F.Supp. 429, 454 (C.D. Cal.1979).

The final suggested factor concerns the effect of the alleged infringing use upon the potential market for or value of the copyrighted work. The aim of the copyright laws is to stimulate artistic creativity for the benefit of the public, and this is done by providing the artist with the financial motivation for creativity that flows from a limited form of monopoly. *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156, 95 S.Ct. 2040, 2044, 45 L.Ed.2d 84 (1975); *Fortnightly Corp. v. United Artists Television, Inc.*, 392 U.S. 390, 393-95, 88 S.Ct. 2084, 2085-2086, 20 L.Ed.2d 1176 (1968). However, where a claim of fair use is made, a balance must sometimes be struck between the benefit the public will derive if the use is permitted and the personal gain the copyright owner will receive if the use is denied. *Williams & Wilkins Co. v. United States*, 487 F.2d 1345, 1352 (Ct.Cl.1973), *aff'd per curiam by an equally divided court*, 420 U.S. 376, 95 S.Ct. 1344, 43 L.Ed.2d 264 (1975); *Berlin v. E. C. Publications, Inc.*, 329 F.2d 541, 543-44 (2d Cir.), *cert. denied*, 379 U.S. 822, 85 S.Ct. 46, 13 L.Ed.2d 33 (1964). The less adverse effect that an alleged infringing use has on the copyright owner's expectation of gain, the less public benefit need be shown to justify the use. See *Meeropol v. Nizer*, *supra*, 560 F.2d at 1070; *Elsmere Music, Inc. v. National Broadcasting Co.*, 482 F.Supp. 741, 747 (S.D.N.Y.), *aff'd*, 623 F.2d 252 (2d Cir. 1980) (*per curiam*); *Time, Inc. v. Bernard Geis Associates*, *supra*, 293 F.Supp. at 146.

[6] Using the above factors as guideposts, we may now review the evidence to determine whether the district court's rejection of the fair use defense was clearly erroneous. Since the issue of fair use is one of fact, *Meeropol v. Nizer*, *supra*, 560 F.2d at 1068; *Eisenschiml v. Fawcett Publications, Inc.*, 246 F.2d 598, 604 (7th Cir.), *cert. denied*, 355 U.S. 907, 78 S.Ct. 334, 2 L.Ed.2d 262 (1957), the clearly erroneous standard of review is appropriate.

Among the exhibits introduced below were two phonograph records. One, published by MCA Records, was an Andrews Sisters' recording which included Boogie Woogie Bugle Boy. The other, published by the defendant Libra, was a recording of Let My People Come which included Cunnilingus Champion. The parties stipulated that the sale of these records was a traditional means of exploiting musical works. Other stipulated means were the use of the songs in stage performances and the sale of printed copies. Both of the songs at issue herein were exploited in all three media. In determining, therefore, whether defendants' use of plaintiff's song was unfair, we start from the premise that the songs were competing works.

When this action was commenced in July 1974, defendants did not contend that they were making fair use of plaintiff's song. Instead, they sim-

ply denied plaintiff's allegation that Cunnilingus Champion was substantially copied from plaintiff's copyrighted work. It was more than a year later, after plaintiff had amended its complaint to claim common law copyright infringement of the Andrews Sisters' recording of Boogie Woogie Bugle Boy, that defendants first pleaded a fair use defense. The record is not at all clear, however, as to when this claim of fair use came into being.

In their Rule 16 pretrial stipulation of undisputed facts, the parties agreed that, when defendant Wilson played Cunnilingus Champion for the first time at a cast rehearsal in early November 1973, some of the cast members told him they thought it was similar to Bugle Boy. Wilson and defendant Oesterman, the producer-director of the show, then discussed with cast members the possibility of being sued because of the similarity. Wilson and Oesterman decided to proceed with Cunnilingus Champion because they concluded it was not the same as Bugle Boy. The parties further stipulated that, when Cunnilingus Champion was written, it was not intended to make any statement about Bugle Boy or to parody Bugle Boy in the sense of taking it out of context and holding it up to ridicule.

At trial, defendant Wilson testified that, at the time he wrote Cunnilingus Champion, he did not intend it to be either a burlesque or a satire. He stated that, sometime during the rehearsals that followed the song's unveiling, he formed the intent that the song would be a burlesque of the music of the 1940's. It is quite obvious, of course, that the words "Cunnilingus Champion of Company C", as used in the title and throughout the lyrics of Wilson's song, were not a take-off on the music of the '40's but on plaintiff's song alone. It is not surprising, therefore, that Wilson testified that, when his song finally was performed on stage, he then intended it to be a spoof of Bugle Boy. Expanding on this point in his brief, Wilson states:

The parallelism of titles alone makes it obvious that Appellant's work in some way refers to Appellee's work and, as a burlesque, that is precisely its intention.

Defendants' argument in short is that, because Cunnilingus Champion "deals with the humorous practice of cunnilingus" and Wilson was trying to portray that practice as "joyous", he was entitled to use a competing copyright owner's music that was "immediately identifiable as something happy and joyous and it brought back a certain period in our history when we felt that way."¹ Defendants rely principally on two prior decisions of this Court to support this argument, *Berlin v. E. C. Publications, Inc.*, *supra*, 329 F.2d 541 and *Elsmere Music, Inc. v. National Broadcasting Co.*, *supra*, 623 F.2d 252. This reliance is misplaced.

¹Boogie Woogie Bugle Boy was copyrighted and published in 1941, and achieved its greatest popularity during the tragic and unhappy years of World War II, in which 292,131 Americans lost their lives.

In *Berlin*, the copyright owners of twenty-five popular songs sued the publishers of "Mad Magazine," a comic publication, for publishing parody lyrics which the magazine's readers might sing to the music of plaintiff's songs. Defendants did not publish the music, and plaintiffs made no claim that the parodies would even partially fulfill the demand for plaintiff's original songs to their damage. Then Chief Judge Kaufman, writing for the court, said that "where as here, it is clear that the parody has neither the intent nor the effect of fulfilling the demand for the original, and where the parodist does not appropriate a greater amount of the original work than is necessary to 'recall or conjure up' the object of his satire, a finding of infringement would be improper." 329 F.2d at 545.

In *Elsmere*, the copyrighted song was an advertising jingle entitled "I Love New York," which was used by the New York State Department of Commerce in television commercials, principally to extol the merits of New York City. One of NBC's popular productions is a satirical comedy program entitled "Saturday Night Live". On May 20, 1978, the performers on this show did a take-off on New York City's advertising campaign by plugging for the biblical city of Sodom. As part of this take-off, they sang a song "I Love Sodom" to the tune of "I Love New York". In holding this to be fair use, the district court found that defendants' song did not interfere with the marketability of plaintiff's; that it did not affect the value of the copyrighted work nor could it have the effect of fulfilling the demand for the original. 482 F.Supp. at 747. This Court affirmed on the opinion of the district judge. 623 F.2d at 253.

In the instant case, plaintiffs and defendants were competitors in the entertainment field. Both Bugle Boy and Cunnilingus Champion were performed on the stage. Both were sold as recordings. Both were sold in printed copies. Testimony, accepted as credible by the trial court, indicated that Cunnilingus Champion was made to sound like Bugle Boy to create publicity. 425 F.Supp. at 448. Moreover, the district judge specifically rejected as incredible the testimony of the defendant Wilson that he was combining the innocent music of the '40's with words often considered to be taboo to make a very funny point. 425 F.Supp. at 453. This state of facts is a far cry from those which existed in *Berlin* and *Elsmere*.

In *Elsmere*, the district court held, and quite correctly so, that the song "I Love Sodom" was as much a parody of "I Love New York" as it was of the overall "I Love New York" advertising campaign. The court then proceeded to state in dictum that, even if it were found that defendants' song did not parody plaintiff's, this would not preclude a finding of fair use. The question, said the court, is whether the use is a valid satire or parody, not whether it is a parody of the copied song. Appellants in the instant case contrast this dictum with Judge Cooper's apparent requirement that a legally permissible parody must be of the copyrighted song itself, and

argue that Judge Cooper erred. We agree with appellants' argument to the extent of holding that a permissible parody need not be directed solely to the copyrighted song but may also reflect on life in general. However, if the copyrighted song is not at least in part an object of the parody, there is no need to conjure it up. See *Walt Disney Productions v. Air Pirates*, *supra*, 581 F.2d at 758 n.15. Indeed, defendants concede that, without reference to plaintiff's song, there would be no parody.

The district court held that defendants' song was neither a parody or burlesque of Bugle Boy nor a humorous comment on the music of the '40's. 425 F.Supp. 453. We are not prepared to hold that a commercial composer can plagiarize a competitor's copyrighted song, substitute dirty lyrics of his own, perform it for commercial gain, and then escape liability by calling the end result a parody or satire on the mores of society. Such a holding would be an open-ended invitation to musical plagiarism. We conclude that defendants did not make fair use of plaintiff's song. See *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, *supra*, 604 F.2d at 205-06; *Walt Disney Productions v. Mature Pictures Corp.*, *supra*, 389 F.Supp. at 1398; *Rohauer v. Killiam Shows, Inc.*, 379 F.Supp. 723, 732-33 (S.D.N.Y.1974), *rev'd on other grounds*, 551 F.2d 484 (2d Cir.), *cert. denied*, 431 U.S. 949, 97 S.Ct. 2666, 53 L.Ed.2d 266 (1977); *Robert Stigwood Group Ltd. v. O'Reilly*, 346 F.Supp. 376, 384 (D.Conn.1972), *rev'd on other grounds*, 530 F.2d 1096 (2d Cir.), *cert. denied*, 429 U.S. 848, 97 S.Ct. 135, 50 L.Ed.2d 121 (1976).

In reaching this conclusion, we have not overlooked the district court's finding that the amount copied from plaintiff's song was so substantial as to be unfairly excessive. Although we might have reached a different conclusion on the same facts, the district court's finding was not clearly erroneous and furnishes further support for its holding of infringement. *Rosemont Enterprises, Inc. v. Random House, Inc.*, *supra*, 366 F.2d at 310; *Walt Disney Productions v. Mature Pictures Corp.*, *supra*, 389 F.Supp. at 1398.

Following the entry of the district court's interlocutory judgment on liability, the matter was referred to a special master for the determination of damages. Under the law of this Circuit as it existed prior to the 1976 amendments of the Copyright Act, the owner of an infringed copyright was entitled to recover both his own damages and the infringer's profits. *Peter Pan Fabrics, Inc. v. Jobela Fabrics, Inc.*, 329 F.2d 194, 196-97 (2d Cir. 1964). Where it was difficult to produce legally acceptable proof of actual damages or profits, statutorily prescribed "in lieu" awards could be made. *Id.*; *Douglas v. Cunningham*, 294 U.S. 207, 208-09, 55 S.Ct. 365, 366-367, 79 L.Ed. 862 (1935).

[7] Because infringement of copyright is considered a tort, the general statement often is made that all defendants concerned in the infringement are jointly and severally liable. See, e.g., *Screen Gems-Columbia Music*,

Inc. v. Metlis & Lebow Corp., 453 F.2d 552, 554 (2d Cir. 1972). However, this rule applies only to the defendants liability for damages. Insofar as there is liability for illegal profit, the liability is several; one defendant is not liable for the profit made by another. *Washingtonian Pub. Co. v. Pearson*, 140 F.2d 465, 467 (D.C.Cir. 1944); *Sammons v. Colonial Press, Inc.*, 126 F.2d 341, 344-48 (1st Cir. 1942); *Alfred Bell & Co. v. Catalda Fine Arts, Inc.*, 86 F.Supp. 399, 403 (S.D.N.Y.1949), *aff'd*, 191 F.2d 99 (2d Cir. 1951).

In the instant case, plaintiff offered proof as to defendants' gross receipts, and the burden was then on the defendants to establish what portion of those receipts was not profit from their use of the infringing song. *Sheldon v. Metro-Goldwyn Pictures Corp.*, 106 F.2d 45, 48 (2d Cir. 1939), *aff'd*, 309 U.S. 390, 60 S.Ct. 681, 84 L.Ed. 825 (1940). This they failed to do. Because the special master is required to give every indulgence to plaintiffs, *Orgel v. Clark Boardman Co.*, 301 F.2d 119, 121 (2d Cir.), *cert. denied*, 371 U.S. 817, 83 S.Ct. 31, 9 L.Ed.2d 58 (1962), we cannot say that he erred in allocating one-twentieth of the total receipts from Let My People Come to Cunnilingus Champion, although, as triers of the fact, we might have been less generous. Based on this percentage allocation, the special master found the defendants severally liable to plaintiff for their profit from the infringing song's performance in the show in the following amounts:

Libra	\$194,294.00 ²
D'Lugoff	\$ 3,250.00
Cunningham	\$ 429.00
Oesterman	\$ 24,108.00
Wilson	\$ 11,924.00

[8] We find no error in these awards, except with regard to the defendant D'Lugoff. D'Lugoff was president of Village Gate. Although he was in charge of the premises, he had nothing to do with Let My People Come. He was paid an annual salary of \$25,000.00 There was no proof that this salary was contingent upon or fixed by the profits of Let My People Come. Moreover, other shows were being performed on the premises. Nevertheless, the special master awarded plaintiff one-twentieth of D'Lugoff's salary during the two and one-half years that Let My People Come was at the Village Gate.

The term "profit" was not defined in the Copyright Act and therefore must be assumed to have its ordinary or usual meaning. *Heli-Coil Corp. v. Webster*, 352 F.2d 156, 167 (3d Cir. 1965). Webster's Third New Interna-

²Libra was a limited partnership, with the defendant Oesterman as the sole general partner. Gnostic Music Co. and LMPC records were simply account names used by Libra. Libra, Oesterman, and Cunningham have not appealed from the judgment entered against them.

tional Dictionary defines profit as "entrepreneurial or employer income as distinguished from wages or rent." Black's Law Dictionary, Revised Fourth Edition, says profit is the "[g]ain realized from business or investment over and above expenditures" and "[i]n distinction from the wages of labor." The salary paid D'Lugoff by Village Gate was not "profit" from Cunnilingus Champion. The award of \$3,250.00 as against him cannot stand.

The special master awarded a total of \$10,005.00 against Libra, Oesterman and Wilson for their share of profits from the record albums of the show, and this award, arising out of the unfair use of plaintiff's copyrighted song, will not be disturbed. An award of \$2,381.00 for one-nineteenth of the total receipts from souvenir programs was made against Libra alone, and that defendant has not appealed.

[9] Plaintiff offered no evidence of actual damages, seeking instead the "in lieu of actual damages" award authorized by 17 U.S.C. § 101(b), as it existed prior to 1976. *See* 17 U.S.C. § 101(b) (1976). The special master treated each week's performance of Let My People Come as a separate infringement, and awarded plaintiff a total of \$32,500.00 against all of the defendants, representing a \$250.00 statutory award for each of the one hundred and thirty weeks that Let My People Come played at the Village Gate.

In *Iowa State University Research Foundation, Inc. v. American Broadcasting Companies, Inc.*, 475 F.Supp. 78, 82 (S.D.N.Y.1979), Judge Lumbard, sitting as a district judge, described this Circuit's test for multiple infringements as follows:

In close cases, this circuit has also used the "time" test—which looks to the proximity in time of repeated infringements in deciding whether to treat them as multiple infringements or as one continuing infringement—and the "heterogeneity" test—which looks to differences between the advertisers, financial arrangements, locales, audiences, and other significant variables in determining whether the circumstances surrounding successive infringements are so similar that those infringements should be treated as one continuing infringement or so different that they should be treated as multiple infringements. *See Robert Stigwood Group Ltd.*, *supra*, 530 F.2d 1096, 1103. *See also Davis v. E. I. duPont*, *supra*, 249 F.Supp. 329, 333-43.

We think this is a case in which the "time" test should have been applied and that Let My People Come's continuous run at the Village Gate should have been treated as one continuing infringement. *See Roy Export Co. v. CBS*, *supra*, 503 F.Supp. at 1157. In so holding, we are not unmindful of the substantial award based on defendants' profits and the fact that, although plaintiff was not obligated to seek preliminary injunctive relief, *Szekely v. Eagle Lion Films, Inc.*, 140 F.Supp. 843, 849 (S.D.N.Y.1956) *aff'd*, 242 F.2d 266 (2d Cir.), *cert. denied*, 354 U.S. 922, 77 S.Ct. 1382, 1 L.Ed.2d 1437 (1957), prompt resort to such remedy probably would have

made the question of continuous performance largely academic. See *Robert Stigwood Group, Ltd. v. O'Reilly*, *supra*, 530 F.2d at 1103. We note also, although we do not find it controlling, that Congress has since decreed that a plaintiff who elects to recover statutory "in lieu" damages will be precluded from recovering any profits. See 17 U.S.C. § 504(c)(1) (Supp. III 1979); 3 *Nimmer on Copyright* § 14.01[B] (1980). The \$32,500.00 award of statutory damages is reduced to \$250.00.

[10] We have no problem in affirming the award of statutory damages based upon the manufacture and sale of the cast album recordings. These recordings contain both words and music, which together constituted an unfair use of plaintiff's song. The printed program, however, contained only the lyrics, which, standing alone, hardly amounted to an infringement of Bugle Boy. Moreover, we fail to see how plaintiff could conceivably have been damaged by the sale of defendants' program. The award of \$22,626.00 for the "making" of these programs is reversed.

[11] Appellants' final argument meriting comment concerns the award of \$20,000.00 for the fees of plaintiff's attorney. In this Circuit, the practice of awarding such fees "has been sparingly used and the amounts awarded modest." *Orgel v. Clark Boardman Co.*, *supra*, 301 F.2d at 122. Here, plaintiff was successful in recovering on its statutory copyright claim but was unsuccessful in its claim for infringement of an alleged common law copyright. See 425 F.Supp. at 454-55. Moreover, plaintiff opted to pursue the lengthy process leading to the substantial damage award which it has received, rather than quickly halting defendants' infringement with a preliminary injunction. Finally, it appears from the conduct of the defendants Oesterman and Cunningham throughout the course of the litigation and the fact that they have not even bothered to appeal, that the burden of the award may be borne in substantial part by the defendant D'Lugoff, whose role in the infringement was minimal at best and whose liability is questionable. See *Roy Export Co. v. CBS*, *supra*, 503 F.Supp. at 1155-56; *Screen Gems-Columbia Music, Inc. v. Mark-Fi Records, Inc.*, 327 F.Supp. 788, 792 (S.D.N.Y.1971) *rev'd on other grounds*, 453 F.2d 552 (2d Cir. 1972). Under all the circumstances, we feel that an award of attorneys fees in the amount of \$10,000.00 would be fair and adequate.

The judgment appealed from is modified by:

1. eliminating the award of \$3,250.00 against the defendant D'Lugoff for lost profits;
2. reducing the award against Wilson and D'Lugoff for damages from the performance of Cunnilingus Champion in Let My People Come by \$32,250.00;
3. eliminating the award of \$22,626.00 against Wilson and D'Lugoff for damages in connection with the making of the programs;
4. reducing the award of attorneys fees against Wilson and D'Lugoff from \$20,000.00 to \$10,000.00

In all other respects, the judgment is AFFIRMED.

MANSFIELD, *Circuit Judge* (dissenting). I respectfully dissent for the reason that in my view the defendants made a fair and limited use in a reasonable manner of plaintiff's successful copyrighted work to produce what amounts to a sexual satire or burlesque of contemporary mores by putting a comic or humorous twist on the more conventional Bugle Boy and by parodying the Andrews Sisters' style, which depended heavily on "boogie-woogie" music. This entitled the defendants to the protection of the "fair use" doctrine as codified in § 101 of the 1976 Copyright Act, 17 U.S.C. § 107. As the majority concedes, a fair use parody need not be directed toward the copyrighted work, see *Elsmere Music, Inc. v. National Broadcasting Co.*, 482 F.Supp. 741, 746 (S.D.N.Y.1980), *aff'd*, 623 F.2d 252 (2d Cir. 1980); *Berlin v. E. C. Publications, Inc.*, 329 F.2d 541 (2d Cir. 1964). The defendants used only enough of "Bugle Boy" to conjure up a recollection of that image and thereby make possible a parody with a completely new, mocking, satirical turn to it. There is no evidence that the parody caused any damage to the plaintiff. Although "Boogie Woogie Bugle Boy" (plaintiff's work) and "Cunnilingus Champion of Company C" (defendants' parody) were both produced in record form, there is no evidence that the latter was capable of serving as a substitute for the former. On the contrary, it is readily apparent from the records and the lyrics that the two songs fill completely different demands and that a purchaser desiring plaintiff's work would not accept that of defendants as a substitute.

Under the doctrine of "fair use" defendants were entitled to appropriate so much of the copyrighted work as was reasonably necessary to recall it or conjure it up. *Berlin v. E. C. Publications, Inc.*, *supra*, 329 F.2d at 545. As we stated in *Elsmere Music, Inc. v. National Broadcasting Co.*, 623 F.2d 252, 253 n.1 (2d Cir. 1980):

"Even more extensive use would still be fair use, provided the parody builds upon the original, using the original as a known element of modern culture and contributing something new for humorous effect or commentary."

This is exactly what was done in the present case. Defendants made limited use of Bugle Boy to create a new and (to many) humorous effect. The lyrics of the two songs are almost entirely different. Indeed only one short phrase ("He's in the Army now") is common to both. The rest are not the same. Moreover, much of the similarity in the music of the two tunes is attributable to the "tom-tom" passages in the Andrews Sisters and Midler recordings, as well as in the defendants' work, which were never copyrighted but were used by Judge Cooper as the basis for his findings. Thus, while I agree with the majority that there is barely sufficient similarity between the music of the two songs to preclude our labelling

Judge Cooper's finding of infringement clearly erroneous, the record indicates that for fair use parodying the defendants only appropriated as much of the original work as was reasonably necessary to recall Bugle Boy.

In ruling on the issue of fair use, Judge Cooper held that to qualify as fair use the infringing item must be a burlesque of the copyrighted work itself, not just a use of the copyrighted material to parody something else, stating:

"defendants concede that Champion was not intended to be a parody of Bugle Boy in the sense of taking Bugle Boy out of context in an attempt to hold it up to ridicule. [PTO 3-a-51, 52] Defendants may have sought to parody life, or more particularly sexual mores and taboos, but it does not appear that they attempted to comment ludicrously upon Bugle Boy." *MCA, Inc. v. Wilson*, 425 F.Supp. at 453 (footnote omitted).

As the majority recognizes (p. 185, *supra*), this was error. In *Elsmere Music, supra*, we held that the song "I Love Sodom" was a fair parody use of "I Love New York" even though Judge Goettel found, 482 F.Supp. at 745, that the former was "an attempt . . . to satirize the way in which New York City has attempted to improve its somewhat tarnished image through the use of a slick advertising campaign [and] had nothing to do with . . . the song 'I Love New York' itself." The district court further stated:

"In addition, even if it were found that 'I Love Sodom' did not parody the plaintiff's song itself, that finding would not preclude a finding of fair use. Under the holding of *Berlin v. E. C. Publications, Inc., supra*, and the criteria set down in section 101 of the 1976 Copyright Act, 17 U.S.C. § 107, the issue to be resolved by a court is whether the use in question is a valid satire or parody, and not whether it is a parody of the copied song itself. To the extent that either *MCA* or *Walt Disney* can be read to require that there be an identity between the song copied and the subject of the parody, this Court disagrees." 482 F.Supp. at 746 (footnotes omitted).

In affirming, we agreed with the district court's rejection of Judge Cooper's *MCA* limitation, stating, "Believing that, in today's world of often unrelieved solemnity, copyright law should be hospitable to the humor of parody, and that the District Court correctly applied the doctrine of fair use, we affirm on Judge Goettel's thorough opinion." 623 F.2d at 253 (footnote omitted). This broader legal concept of parody has been advocated by copyright scholars who have taken a dim view of Judge Cooper's limitation. See, e.g., Light, *Parody, Burlesque, and the Economic Rationale for Copyright*, 11 Conn.L.Rev. 615, 631-32 (1979).

Thus in *Elsmere* we adhered to our views in *Berlin v. E. C. Publications, Inc.*, 329 F.2d 541 (2d Cir. 1964), where we held that certain parody lyrics printed in *Mad Magazine*, intended to comment humorously on the world of that time and designed to be sung to the tunes of various popular Irving Berlin songs, did not infringe Berlin's copyright.

Since defendants' work is clearly a parody or burlesque the next step is to determine whether, in creating *Champion*, they have taken more of *Bugle Boy* than is reasonably necessary to " 'recall or conjure up' the original[]," *Berlin, supra*, 329 F.2d at 545. This will vary according to the situation encountered in each case. Clearly a verbatim copy of both music and lyrics could hardly be defended as a parody, since the effect would be to deprive the copyright owner of the fruits of his labors. On the other hand, a substantial taking for parody purposes is permissible where, as here, the parody does not fulfill the demand for the copyrighted work. For instance, in *Elsmere* Judge Goettel observed that

"it becomes apparent that this portion of the piece, the musical phrase that the lyrics 'I Love New York' accompany, is the heart of the [plaintiff's] composition. Use of such a significant (albeit less than extensive) portion of the composition is far more than merely a *de minimis* taking.... The tune of 'I Love Sodom' is easily recognizable as 'having been appropriated from the copyrighted work,' . . . and is a taking of a substantial nature." 482 F.Supp. at 744 (footnote and citations omitted).

However, he correctly concluded that the copying nevertheless amounted to fair use as a parody. As we stated in *Berlin*,

"At the very least, where, as here, it is clear that the parody has neither the intent nor the effect of fulfilling the demand for the original, and where the parodist does not appropriate a greater amount of the original work than is necessary to 'recall or conjure up' the object of his satire, a finding of infringement would be improper." 329 F.2d at 545.

On the *Elsmere* appeal we observed,

"we note that the concept of 'conjuring up' an original came into the copyright law not as a limitation on how much of an original may be used, but as a recognition that a parody frequently needs to be more than a fleeting evocation of an original in order to make its humorous point. *Columbia Pictures Corp. v. National Broadcasting Co.*, 137 F.Supp. 348, 354 (S.D.Cal.1955). A parody is entitled at least to 'conjure up' the original. Even more extensive use would still be fair use, provided the parody builds upon the original, using the original as a known element of modern culture and contributing something new for humorous effect or commentary." 623 F.2d at 253 n.1.

Judge Cooper, having erroneously limited the scope of permissible use of a copyrighted work for parody purposes, reached this issue only by way of dictum, indicating that he would have held the defendants' use to be excessive because "*Champion* not only conjures up the memory of *Bugle Boy*, it shares some of the same lyrics and music." 425 F.Supp. at 454. This is both a misunderstanding of the "conjure up" test and a misconstruction of the facts. As both *Berlin* and *Elsmere* demonstrate, the fact that the parody shares some of the same lyrics and music as the copyrighted work does not itself mean that the taking is too substantial.

Indeed it is exactly by such overlap that the original is recalled or conjured up. In *Elsmere* the repetition of the exact music from the key "I Love New York" section of that song, coupled with use of two of the four original words ("I Love"), was held not to be too substantial a taking to allow the fair use defense. As we stated in *Berlin*,

"While brief phrases of the original lyrics were occasionally injected into the parodies, this practice would seem necessary if the defendants' efforts were to 'recall or conjure up' the originals; the humorous effect achieved when a familiar line is interposed in a totally incongruous setting, traditionally a tool of parodists, scarcely amounts to a 'substantial' taking, if that standard is not to be woodenly applied." 329 F.2d at 545.

Here, the defendants took only one short phrase from the entire copyrighted lyric. The rest of the thematic conjuring was done by the overall setting and the word play on the title. That word play is the very kind of "conjuring up" that the fair use defense allows." As for the music, the discussion above shows that even in the absence of a fair use question there is some doubt as to whether the taking from the copyrighted version would be substantial enough to amount to an infringement. The overall musical style is the same, the harmony and melody are similar, and there are a few specific chord and note passages that overlap. None of this, however, is so great as to preclude the parody defense. The humorous twist would not exist if the "boogie woogie" sound of the original (incidentally, not copyrighted) were not recalled. The whole point of the fair use defense is to allow some use of the copyrighted material. Here it was not excessive.

The next question is whether the defendants' use of Bugle Boy resulted in their satisfying the same demand as that song did, which is an important factor because an otherwise fair use might become unfair if it deprives the copyright holder of the market served by him and thus causes him real economic damage, 3 M. Nimmer, *Copyright*, § 13,05[A][4], note 3. In *Meeropol v. Nizer*, 560 F.2d 1061, 1070 (2d Cir. 1977), we stated:

"A key issue in fair use cases is whether the defendant's work tends to diminish or prejudice the potential sale of plaintiff's work. *Marvin Worth Productions v. Superior Films Corp.*, 319 F.Supp. 1269, 1274 [168 USPQ 693, 697-698] (S.D.N.Y. 1970); 2 M. Nimmer *Copyright*, § 415."

This issue was not reached by Judge Cooper because of his erroneous ruling that defendants' work did not burlesque plaintiff's copyrighted work itself. 425 F.Supp. at 453 n.19. Plaintiff-appellee argues that since the two works were exploited through the same media (records, printed copies, live performances) Champion *ipso facto* had the effect of diminishing the demand for Bugle Boy. In my view this reasoning is fatally defective. The issue is not whether the parody uses the same media as the copyrighted

work—most parodies do—but whether it is “capable of serving as a *substitute* for the original,” A. Latman, *The Copyright Law* 215 (5th ed. 1979) (emphasis supplied), which depends on demand and product overlap rather than on the market in which the two products are vended. Applying this correct standard it is eminently clear that the two works respond to wholly differing demands and that a customer for one would not buy the other in its place. A raucous and explicitly sexual satire is not a substitute for the innocence of Bugle Boy. I therefore cannot agree with the majority’s “premise that the songs were competing works.” Maj. Op. 183, or that the sale or rendition of defendants’ song would interfere with the marketability of plaintiff’s song.

The majority implies that to “substitute dirty lyrics” should not permit a person to “escape liability by calling the end result a parody or satire on the mores of society.” Maj. Op. 185. In my view the defendants’ use of “dirty lyrics” or of language and allusions that I might personally find distasteful or even offensive is wholly irrelevant to the issue before us, which is whether the defendants’ use, obscene or not, is permissible under the fair use doctrine as it has evolved over the years. We cannot under the guise of deciding a copyright issue, act as a board of censors outlawing X-rated performances. Obscenity or pornography play no part in this case. Moreover, permissible parody, whether or not in good taste, is the price an artist pays for success, just as a public figure must tolerate more personal attack than the average private citizen. *New York Times Co. v. Sullivan*, 376 U.S. 254, 84 S.Ct. 710, 11, L.Ed.2d 686 (1964). As we pointed out in *Berlin* parody “has thrived from the time of Chaucer.” 329 F.2d at 545. Even the *Canterbury Tales* indulged largely in sexual satire.

Lastly, since there is no evidence of actual or potential economic damage caused to MCA by reason of defendants’ performance and sale of recordings of Champion, I believe that the award of damages here is inappropriate, excessive, and an unjustifiable windfall to the plaintiff.

For these reasons I would reverse the judgment of the district court.

MALRITE T. V. OF NEW YORK, et al., Petitioners, v. FEDERAL COMMUNICATIONS COMMISSION, United States of America, Respondents

Nos. 865, 1284 to 1286, Dockets 80-4120,
80-4160, 80-4202 and 80-4204

*(United States Court of Appeals, Second Circuit—Argued March 19,
1981—Decided June 16, 1981)*

652 F.2d 1140

[See also *National Association of Broadcasters v. Federal Communications Commission*, 454 U.S. 1143, 102 S.Ct. 1002, 71 L.Ed.2d 295 (U.S. Sup. Ct. — *Certiorari denied*, Jan. 11, 1982)]

On a petition to set aside a report and order of the Federal Communications Commission repealing cable television rules on distant signal carriage and syndicated program exclusivity, the Court of Appeals, Newman, Circuit Judge, held that the decision of the Commission was supported by fair reading of the Copyright Act, and action of Commission was neither arbitrary nor capricious.

Petition denied.

1. Telecommunications

Serious policy questions raised by deregulation of cable television industry were best left to agencies that were created, in like part, to resolve them. 17 U.S.C.A. §§ 101 et seq., 111, 111(c)(1), 115, 116, 118, 801, 801(b)(2)(B, C).

2. Telecommunications

Decision of Federal Communications Commission to repeal cable television rules on distant signal carriage and syndicated program exclusivity was supported by fair reading of Copyright Act, and action of Commission was neither arbitrary nor capricious. 5 U.S.C.A. § 706(2)(A); 17 U.S.C.A. §§ 101 et seq., 111, 111(c)(1), 115, 116, 118, 801, 801(b)(2)(B, C).

3. Telecommunications

Plain import of statute was that Federal Communications Commission, in its development of communications policy, might increase number of distant signals that cable systems can carry and might eliminate syndicated exclusivity rules, in which event Copyright Royalty Tribunal would be free to respond with rate increases. 17 U.S.C.A. §§ 801, 801(b)(2)(B, C).

4. Telecommunications

Federal Communications Commission was not obliged by 1976 Copyright Act to preserve existing rules, but was not free to adopt new one that would be inconsistent with basic arrangements of the new legislation. 17 U.S.C.A. §§ 101 et seq., 111.

5. Telecommunications

Under Federal Communications Commission's statutory directives to promote rapid, efficient nationwide communications service and to encourage its use in the public interest, neither of which commands specific industry structure or protection of any particular stations from financial difficulty or even failure, Commission in the past has accorded special

treatment to UHF stations but is not required to do so when in its judgment the public interest would be disserved. Communications Act of 1934, §§ 1, 303, 47 U.S.C.A. §§ 151, 303.

6. Telecommunications

Property of regulated industries is subject to such limitations as may reasonably be imposed in public interest, and regulations may be adopted that abolish or modify the existing interests, and Federal Communications Commission on deciding to repeal cable television rules on distant signal carriage and syndicated program exclusivity was not required to grandfather existing syndicated program exclusivity contracts. 17 U.S.C.A. §§ 101 et seq., 111, 111(c)(1), 115, 116, 118, 801, 801(b)(2)(B, C).

7. Telecommunications

It was not arbitrary for Federal Communications Commission to conclude that sports programming required no special protection after repeal of distant signal rules. 17 U.S.C.A. §§ 101 et seq., 111, 111(c)(1), 115, 116, 118, 801, 801(b)(2)(B, C).

8. Telecommunications

Federal Communications Commission could find that repealing cable television rules on distant signal carriage and syndicated program exclusivity would be in public interest though lower-income families benefit more from system of free television than from cable television. 17 U.S.C.A. §§ 101 et seq., 111, 111(c)(1), 115, 116, 118, 801, 801(b)(2)(B, C).

9. Telecommunications

Where it was only after extended inquiry into effect of existing regulations and state of industry that encompassed several years of investigation and thorough consideration of vast material compiled that Federal Communications Commission concluded that existing regulations should be repealed, and only after receiving such evidence did Commission ask members of public who disagreed with its findings to produce data showing how they would be injured by deregulation since it had not found any evidence to that effect, such action did not reverse burden of proof.

Michael S. Horne, Washington, D.C. (J. Geoffrey Bentley, Alex Kozinski, Covington & Burling, Samuel Miller, Miller & Fields, Arthur B. Goodkind, Koteen & Burt, Erwin G. Krasnow, James J. Popham, Jerome C. Shestack, R. Clark Wadlow, Schnader, Harrison, Segal & Lewis, Martin E. Firestone, Stein, Halpert & Miller, Steven A. Lerman and McKenna, Wilkinson & Kittner, Washington, D.C., on the brief), for petitioners Malrite T. V. of New York, Inc., and McGraw-Hill Broadcasting Co., Inc., and intervenors Hubbard Broadcasting, Inc., et al., Taft Broadcasting, Inc., et al., Bahia de San Francisco Television Co., et al., National Ass'n of Broadcasters, Cedar Rapids Television Co., et al., Springfield Television Corp., and National Broadcasting Co., Inc.

J. Laurent Scharff, Mark J. Tauber, Jack N. Goodman, Joseph M. Sellers, Pierson, Ball & Dowd, Lee M. Mitchell, Alan L. Morrison, Tom W. Davidson, Sidley & Austin, Thomas J. Dougherty, Preston R. Padden, Robert A. Beizer, Steven M. Harris, and Schnader, Harrison, Segal & Lewis, Washington, D.C., submitted a brief for petitioner Association of Independent Television Stations, Inc., and intervenors Field Communications Corp., Gaylord Broadcasting Co., Metromedia, Inc., and Tribune Co.

James F. Fitzpatrick, David H. Lloyd, Robert Alan Garrett, Arnold & Porter, Philip R. Hochberg, Vorys, Sater, Seymour & Pease, Thomas C. Williams, and Stanford, Williams & Briggs, Washington, D.C. and Alexander H. Hadden, New York City, submitted a brief for petitioners Commissioner of Baseball, National Basketball Ass'n, National Hockey League, and National Football League.

James A. McKenna, Jr., Vernon L. Wilkinson, Robert W. Coll, Steven A. Lerman, Dennis P. Corbett, and McKenna, Wilkinson & Kittner, Washington, D.C., submitted a brief for intervenor American Broadcasting Companies, Inc.

J. Roger Wollenberg, Joel Rosenbloom, Jonathan Becker, and Wilmer & Pickering, Washington, D.C., George Vradenburg, III, and Harry R. Olsson, Jr., New York City, submitted a brief for intervenor CBS Inc.

Dennis F. Begley, Matthew H. McCormick, and Midlen & Reddy, Washington, D.C., submitted a brief for intervenor The Jet Broadcasting Co., Inc.

Barbara Scott, New York City, submitted a brief for intervenor Motion Picture Ass'n of America.

Victor E. Ferrall, Jr., Brian C. Elmer, John I. Stewart, Jr., and Crowell & Moring, Washington, D.C., submitted a brief for intervenor Omega Communications, Inc.

David J. Saylor, Deputy Gen. Counsel, Washington, D.C. (Robert R. Bruce, Gen. Counsel, Daniel M. Armstrong, Assoc. Gen. Counsel, Jane E. Mago, Jeffrey B. Kindler, FCC, Sanford M. Litvack, Asst. Atty. Gen., Barry M. Grossman, Bruce E. Fein, Dept. of Justice, Washington, D.C., on the brief), for respondents Federal Communications Commission and the United States of America.

Brenda L. Fox, Washington, D.C. (James H. Ewalt and Stephen R. Effros, Washington, D.C., on the brief), for intervenors National Cable Television Ass'n, Inc. and Community Antenna Television Ass'n, Inc.

John P. Cole, Jr., and Cole, Raywid & Braverman, Washington, D.C., submitted a brief for intervenors Allen's TV Cable Service, Inc., et al. and United Video, Inc.

Before NEWMAN and KEARSE, Circuit Judges, and METZNER,* District Judge.

NEWMAN, *Circuit Judge*. In a major reversal of its regulatory policy, the Federal Communications Commission ("FCC" or "Commission") has decided to deregulate cable television by rescinding rules relating to syndicated program exclusivity and distant signal carriage. Television broadcasting and programming interests have petitioned to set

*The Honorable Charles M. Metzner of the United States District Court for the Southern District of New York, sitting by designation.

aside the FCC's order and to reimpose the regulations, which have been in force since 1972. On November 19, 1980 we stayed the order pending the disposition of the appeal. We now vacate the stay and deny the petition, thereby permitting the exclusivity and distant signal rules to be repealed.

I.

The television broadcasting industry, transmitting video signals free to viewers, is dominated by the three national networks, which contract with local station affiliates to carry network programming, most of which the networks purchase from independent producers. In addition, there are unaffiliated, independent stations which obtain most of their programming in the syndication market.¹ The cable television industry consists of various local systems, which transmit broadcast video signals from a central station to individual homes by closed circuit, coaxial cable. Cable subscribers pay a monthly fee to receive a basic set of channels plus an optional fee for special channels (pay cable).

Each of the 1,000 broadcasting stations, affiliate or independent, operates along an electromagnetic frequency established by the FCC on either very high frequency (VHF) or ultra high frequency (UHF) channels. The VHF range produces a higher quality viewing signal than UHF for most viewers. Though the FCC had avidly supported the expansion of UHF channels as a means of providing increased program diversity and expression of local interests, UHF stations have been plagued with financial difficulties due to small audiences and low revenues, stemming in part from their inferior reception, and comprise the least profitable sector of the television industry. See R. Noll, M. Peck & J. McGowan, *Economic Aspects of Television Regulation* 79-129 (1973) [hereafter "R. Noll, *et al.*"]; *Revised TV Broadcasting Financial Data—1978*, FCC Memo No. 30037 (July 17, 1980). The networks and their affiliates, which operate primarily in the VHF range, account for the largest audience shares and the vast majority of industry revenues and profits. See R. Noll, *et al.*, *supra* at 3-5, 16-18; *Revised TV Broadcasting Financial Data—1978*, *supra*.

Cable television mitigates some of the disadvantages faced by UHF stations by making possible improved reception; to a cable subscriber, the reception quality of a UHF signal is indistinguishable from a VHF signal. But cable provides an additional service by increasing the number of sta-

¹Syndicated programming, supplied by independent producers, consists of either programs previously broadcast on network stations or newly produced programs. Unlike network programming, simultaneous broadcasting of syndicated programs is infrequent because the independent stations do not all purchase the same programs. See Besen, Manning & Mitchell, *Copyright Liability for Cable Television: Compulsory Licensing and the Coase Theorem*, 21 J.L. & Econ. 67, 77 (1978).

tions available to a viewer through the importation of signals from distant geographic areas using microwave relays or orbiting communications satellites. Cable increases viewers' program choices, offering greater content and time diversity, and consequently it diverts some portion of the viewing audience away from local broadcast stations to more distant ones.

After an initial period in which the FCC declined to exercise regulatory authority over cable television on the grounds that it did not have jurisdiction under the Communications Act, see *Frontier Broadcasting Co. v. Collier*, 24 F.C.C. 251 (1958), reconsideration denied in *Report and Order in Docket No. 12443*, 26 F.C.C. 403, 428 (1959), the FCC began to regulate the cable industry directly in 1966.² See *Second Report and Order in Docket Nos. 14895, 15233 and 15971*, 2 F.C.C.2d 725 (1966). The Supreme Court upheld the FCC's jurisdiction over cable in *United States v. Southwestern Cable Co.*, 392 U.S. 157, 178, 88 S.Ct. 1994, 2005, 20 L.Ed.2d 1001 (1968), insofar as the particular regulations were "reasonably ancillary" to the Commission's performance of its statutory duties. These 1966 regulations initiated close to a decade of regulation that can fairly be described as hostile to the growth of the cable industry, as the FCC sought to protect, in the name of localism and program diversity, the position of existing broadcasters, and particularly, the struggling UHF stations. See Besen & Crandall, *The Deregulation of Cable Television*, 44 Law & Contemp.Prob. 77 (1981); Chazen & Ross, *Federal Regulation of Cable Television: The Visible Hand*, 83 Harv.L.Rev. 1820 (1970). These rules severely restricted the expansion of cable television services by permitting cable operators in the top 100 markets to import distant signals only after showing in an evidentiary hearing that to do so would be in the public interest and not harmful to UHF broadcast services.³ While the cable industry continued to grow in the 1960's in spite of these restrictions and other costly operating requirements, such as mandatory program origination, access, channel capacity, and other equipment regulations, it entered the 1970's as a small industry, relegated primarily to rural areas and small communities due in large part to the FCC's policies. Besen & Crandall, *supra* at 79, 93.

²The Commission began regulating the cable industry indirectly as early as 1962, when it denied a request for a permit by a common carrier to install microwave relays to carry signals for a cable television system. *Carter Mountain Transmission Corp.*, 32 F.C.C. 459 (1962), *aff'd*, 321 F.2d 359 (D.C.Cir.), cert. denied, 375 U.S. 951, 84 S.Ct. 442, 11 L.Ed.2d 312 (1963). The Commission held that granting the permit, though improving the cable system's service to its subscribers, was not in the public interest because it would adversely affect the economic operation of a local broadcast station.

³There are about 200 television markets in the United States. Eighty-six per cent of the approximately 74 million television households are located in the top 100 markets; 33 per cent are in the top 10 markets. *Notice of Proposed Rule Making in Docket Nos. 20988 and 21284*, 71 F.C.C.2d 1004, 1011 (1979). About one-third of all television households have access to cable service, and about 19 per cent of all television households subscribe. *Id.* at 1013-14. The households for which a cable connection is available are located primarily outside of the major metropolitan markets. *Report in Docket No. 21284, Inquiry into the Economic Relationship Between Television Broadcasting and Cable Television*, 71 F.C.C.2d 632, 664-65 (1979) [hereafter "Economic Inquiry Report"].

In late 1971, the Commission began to consider relaxation of the cable television regulations. See *Commission Proposals for Regulation of Cable Television*, 31 F.C.C.2d 115 (1971) ("Letter of Intent" to Congress). Shortly thereafter, the 1972 regulations emerged from an industry-wide Consensus Agreement negotiated by the White House and the affected industry interests—broadcasters, cable operators, and program producers (copyright owners). *Cable Television Report and Order*, 36 F.C.C.2d 143 (1972). Though the 1972 rules eased the 1966 restrictions and permitted limited cable expansion, broadcasting interests were still strongly protected. The Report and Order challenged on this appeal, *Report and Order in Docket Nos. 20988 and 21284*, 79 F.C.C.2d 663 (1980) [hereafter "Report and Order"], abolishes the core of the 1972 regulatory structure by repealing the two main methods of broadcaster protection, the distant signal carriage and syndicated program exclusivity restrictions on cable re-transmissions.

The distant signal rules, 47 C.F.R. §§ 76.59(b)–(e), 76.61(b)–(f), and 76.63 (1980), limit the number of signals from distant stations that a cable system can transmit to its subscribers, the limit varying according to market size and the number of available over-the-air signals within the market. While cable systems are required to carry all local stations (defined as within 35 miles of the cable system's community), the number of distant signals that they can carry is limited as follows: in the top 50 markets, cable systems can make available a total of 3 network stations and 3 independents; in the second 50 markets, 3 networks and 2 independents; in the smaller markets, 3 networks and 1 independent; 2 "bonus" independent signals can be carried in major markets where local signals fill the allotted cable complement. By limiting the number of distant signals, the FCC sought to lessen potential adverse impact on the audience shares of local stations, a policy which has the additional effect of lessening the attractiveness of cable to potential subscribers.⁴

The syndicated program exclusivity rules, 47 C.F.R. §§ 76.151–76.161 (1980), authorize a local television station, which has purchased exclusive exhibition rights to a program, to demand that a local cable system delete that program from distant signals, whether or not the television station was simultaneously showing, or ever planning to show, the program. Copyright holders, in addition to broadcasters, are also protected by the

⁴One of the major reasons for subscribing to cable is the access to more programming. Consequently the penetration rate, that is, the per cent of households subscribing of those with access to the system, varies with the number of signals imported. Several economic studies have estimated the value of additional signals to viewers, and, in general, conclude that carriage of four distant independent signals increases cable penetration rates by an average of at least 9 percentage points. See *Economic Inquiry Report*, *supra*, 71 F.C.C.2d at 670. For specific calculations see, e.g., Charles River Associates, Inc., *An Analysis of the Demand for Cable Television* 47 (1973); R. Noll, *et al.*, *supra* at 277–78.

rules and can require deletion of their programs from cable systems. The extent and duration of this protection varies according to market size, program type, and time of showing, with the greatest protection afforded to stations located in the largest markets.⁵ Cable operators are allowed to substitute other distant signals when they have to delete a program under these rules.

These 1972 rules were fashioned in the context of a continuing policy debate as to whether cable operators should face copyright liability for the programs they retransmitted to subscribers. Prior to Congress' revision of the copyright laws in 1976, the Supreme Court had consistently held that cable systems were not liable under the copyright laws for their use of copyrighted broadcast programs without the owner's consent. *Teleprompter Corp. v. Columbia Broadcasting System, Inc.*, 415 U.S. 394, 94 S.Ct. 1129, 39 L.Ed.2d 415 (1974); *Fortnightly Corp. v. United Artists Television, Inc.*, 392 U.S. 390, 88 S.Ct. 2084, 20 L.Ed.2d 1176 (1968). As a result of these rulings, while the broadcasting industry spent billions of dollars to create and purchase programming,⁶ cable operators could

⁵For example, in the top 50 markets, at the request of a local station, cable operators must delete all syndicated programs under exclusive exhibition contract to the requesting station, regardless of when the program is scheduled for showing on the local station, and program copyright owners can request deletion for one year after the first syndicated sale of the program, even if no local station has the rights to exhibit it. In the second 50 markets, distant syndicated programs need not be deleted if broadcast in prime time unless the requesting local station is also planning to air the program in prime time, and exclusivity rights expire at specified time periods or on the occurrence of specified events, depending on the nature of the program, e.g., first-run syndicated series and feature films are protected for two years while reruns of network series are protected for only one year. Only systems in the top 100 markets are subject to these rules.

Though much less comprehensive in coverage, exclusivity rules exist for network programming. Duplication of network programming is prohibited with respect to simultaneous showings. 47 C.F.R. §§ 76.92-76.99 (1980). The duration of network program protection is more limited than that for syndicated programs in part due to the different methods of distribution. Unlike network programs, which are shown at the same time on virtually all affiliates as they come over the air, with exceptions for stations in different time zones that involve program retaping, syndicated programs are shown at separately scheduled, diverse times by each purchasing independent station. Moreover, cable systems may not carry more than three network signals, which reduces the possibility of duplication of local affiliate programming, whereas they can carry several independent signals, which increases the likelihood of a syndicated program being duplicated. The network nonduplication rules, as well as rules requiring the blacking out of certain live sports programs, 47 C.F.R. § 76.67 (1980), are not altered by the Report and Order challenged on appeal, though petitioners Commissioner of Baseball, National Football League, National Basketball Association, and National Hockey League, and intervenors American Broadcasting Companies, Inc., and Jet Broadcasting Companies, Inc., contend that repeal of the distant signal and syndicated exclusivity rules will decrease the effectiveness of the network and sports programming regulations.

⁶For instance, in 1977, total production costs of the three networks and all television stations were \$2,878 million, and the cost of packaged programs, that is, the expenses of purchasing programs from independent producers, was \$1,482 million. *Notice of Proposed Rule Making in Docket Nos. 20988 and 21284*, *supra*, 71 F.C.C.2d at 1018; *see generally* R. Noll, *et al.*, *supra* at 63-79.

retransmit those programs at their operating cost without making any payments to program suppliers. Losing in the courts, broadcasters sought FCC protection from what they alleged was a situation of "unfair competition" by cable systems. The FCC rules restricting cable operators' ability to carry distant signals and syndicated programs served, in effect, as proxies for the copyright liability the courts had refused to impose, by restricting cable systems in their use of copyrighted works. See H.R.Rep.No. 1476, 94th Cong., 2d Sess. 176-77, *reprinted in* [1976] U.S.Code Cong. & Ad.News 5659, 5792-93; Comment, *Regulatory Versus Property Rights Solutions for the Cable Television Problem*, 69 Calif.L.Rev. 527, 536-44 (1981). Indeed, the revision of the cable television rules in 1972 pursuant to the industry-wide compromise was undertaken with a view toward facilitating enactment of legislation imposing copyright liability on cable operators. See *Commission Proposals for Regulation of Cable Television*, *supra*, 31 F.C.C.2d at 115-16; *Geller v. FCC*, 610 F.2d 973, 974-75 (D.C.Cir.1979) (*per curiam*).

The situation changed, however, in 1976, when Congress adopted a system of partial copyright liability for cable television with a compulsory licensing scheme. 17 U.S.C. § 111 (1976). Under the new Copyright Act, cable operators are expressly permitted to retransmit programs without any need to obtain the consent of, or negotiate license fees directly with, copyright owners, but in return they must pay the owners a prescribed royalty fee, based on the number of distant signals the system carries and its gross revenues. *Ibid.* See generally *Nimmer on Copyright* § 8.18[E] (1980). After Congress had resolved the copyright issue by a system of compulsory licensing, the FCC commenced an inquiry into the need for maintaining its copyright surrogates, the distant signal and syndicated exclusivity rules. *Notice of Inquiry in Docket No. 20988*, 61 F.C.C.2d 746 (1976) (announcing review of desirability of syndicated exclusivity rules); *Notice of Inquiry in Docket No. 21284*, 65 F.C.C.2d 9 (1977) (announcing sweeping review of economic relationship between cable and broadcast television industries).⁷ These inquiries resulted in two extensive staff reports advocating elimination of the rules, *Report in Docket No. 20988, Cable Television Syndicated Program Exclusivity Rules*, 71 F.C.C.2d 951 (1979), and *Report in Docket No. 21284, Inquiry into the Economic Relationship Between Television Broadcasting and Cable Television*, 71 F.C.C.2d 632 (1979) [hereafter "Economic Inquiry Report"]. After considering several econometric and case studies concerning the impact of cable television on local station audiences and future cable penetration rates, the Commission found that the impact on broadcasting stations from the deregulation of cable television would be negligible, and that

⁷This reevaluation was further prompted by *Geller v. FCC*, *supra*, 610 F.2d at 980, which required the FCC to review the necessity of retaining the syndicated exclusivity rules.

consumers would be decidedly better off due to increased viewing options from the greater availability of expanded cable services.

In conjunction with the release of these reports, the FCC initiated an informal notice-and-comment rulemaking proceeding to eliminate the distant signal and syndicated exclusivity restrictions. *Notice of Proposed Rule Making in Docket Nos. 20988 and 21284*, 71 F.C.C.2d 1004 (1979). After wide-spread public comment and administrative reevaluation, it issued the Report and Order, which adopted the proposal for repeal with three commissioners dissenting in whole or in part. The FCC also rejected a suggestion of the National Telecommunications and Information Administration (NTIA) of the United States Department of Commerce that it impose a "retransmission consent" requirement on cable systems if it eliminated the distant signal and syndicated exclusivity rules. Under that proposal, cable operators would need the consent of the originating broadcast station before they could transmit non-network programming to their subscribers.⁸ Both the United States Department of Justice and the United States Copyright Office opposed the NTIA proposal as contrary to Congress's mandate of a compulsory licensing system for cable television under the new Copyright Act, and the FCC adopted their view.

II.

[1, 2] Petitioners challenge the Commission's Report and Order, among other grounds, for seriously misconstruing the mandate of the 1976 Copyright Act and for being arbitrary and capricious. We conclude that a fair reading of the Copyright Act supports the FCC's position and that the FCC's action was neither arbitrary nor capricious. While the deregulation of the cable television industry raises serious policy questions, evidenced by the sharp division within the Commission as to the conclusions of the Report and Order, these questions are best left to the agencies that were created, in large part, to resolve them.

FCC Authority Under the Copyright Act

Petitioners' substantive argument concerning the FCC's interpretation of its regulatory authority over cable television under the Copyright Act is two-pronged: (1) that the Act's compulsory licensing system was premised on maintenance of the existing regulatory framework and (2) that the Act does not prohibit adoption of a retransmission consent requirement.

⁸The NTIA proposal would have required consent for only new and expanding cable systems and would have grandfathered existing systems because they were built on the basis of either no or partial copyright liability. On this appeal petitioners do not seem to envision such a limited retransmission consent rule, though their arguments are not directed to the content of such a regulation but rather to the FCC's ability to impose a consent requirement in general.

These claims are based on passages in the Act and its legislative history, allegedly indicating Congress's intention to leave the FCC with free rein to readjust inter-industry relations by regulation. Specifically, petitioners refer to the provision establishing the compulsory license, § 111, which premises the license upon the "carriage of signals . . . permissible under the rules, regulations, or authorizations of the Federal Communications Commission." 17 U.S.C. § 111(c)(1). Petitioners contend that this language implies both that the FCC cannot upset the existing framework restricting the amount of programming cable systems can carry, and that the Commission can adopt rules conditioning cable retransmission upon receipt of broadcaster consent, as the NTIA proposed, because the compulsory license covers only signals the FCC permits cable systems to carry pursuant to Commission rules. Petitioners further rely on a passage in the report of the House Judiciary Committee, which stated that the Committee did not intend to "interfere" with FCC rules or communications policy, and that the FCC should neither read the copyright legislation to touch on issues such as increased distant signal carriage, nor rely on it to enact any significant changes in the existing "delicate balance" of regulation in areas where Congress had not resolved the issue. H.R.Rep.No.1476, *supra* at 89, [1976] U.S.Code Cong. & Ad.News at 5703-04. From these glimmerings of legislative intent, petitioners contend that the legislative scheme will not tolerate repeal of the distant signal or syndicated exclusivity rules, but will accept a retransmission consent requirement.

[3] We reject both contentions. Though Congress was aware of the underlying regulations restricting cable transmissions when it adopted the compulsory licensing system, it also recognized the legitimacy within the statutory plan of FCC modifications of that regulatory structure. Congress provided that the Copyright Royalty Tribunal ("Tribunal"), the entity established to collect and distribute the royalty fees, could readjust the statutory royalty rate if the FCC altered either the distant signal or syndicated program exclusivity rules. 17 U.S.C. §§ 801(b)(2)(B) and (C) (1976). The plain import of § 801 is that the FCC, in its development of communications policy, may increase the number of distant signals that cable systems can carry and may eliminate the syndicated exclusivity rules, in which event the Tribunal is free to respond with rate increases.

The views expressed in the House Report do not call for a different construction. Though perhaps revealing concern for congressional etiquette among the several committees with overlapping jurisdiction over the regulated subject matter, the comments do not foreclose the FCC's decision to repeal the distant signal and exclusivity rules. In repealing its rules, the FCC has heeded the Committee's caution against using the 1976 copyright legislation to determine matters that Congress "did not resolve." The FCC did not base its repeal of the cable regulations solely upon the

revision, but upon a careful reassessment, in light of all the evidence, of the gains and losses to the public interest from deregulation.

[4] While the Commission is not obliged by the Act to preserve existing rules, it is not free to adopt a new one that would be inconsistent with a basic arrangement of the new legislation. Retransmission consents would undermine compulsory licensing because they would function no differently from full copyright liability, which Congress expressly rejected. Under the NTIA proposal cable operators would be forced to negotiate individually with numerous broadcasters and would not be guaranteed retransmission rights, a scenario Congress considered unworkable when opting for the compulsory licensing arrangement.⁹ H.R.Rep.No.1476, *supra* at 89, [1976] U.S.Code Cong. & Ad.News at 5704; see Comment, *Regulatory Versus Property Rights Solutions for the Cable Television Problem*, *supra* at 550. A rule imposing a retransmission consent requirement would also directly alter the statutory royalty formula by precipitating an increase in the level of payments of cable operators to obtain consent for program use. Such a rule would be inconsistent with the legislative scheme for both the specific compensatory formula and the appropriate forum for its adjustment. In an era of compulsory copyright licensing,¹⁰ we find it difficult to imagine that Congress intended its formula for royalty fees to be only a minimum subject to FCC alteration, since it delegated broad discretionary authority to the Tribunal, and not the FCC, to readjust the rates if regulatory action so required. Congress did not specifically set the royalty rate for other types of compulsory licenses established under the new Act. See 17 U.S.C. § 118 (1976) (public broadcasting royalty rates set by Tribunal). To hold that the compulsory license formula sets only a minimum, and not a maximum rate (subject to Tribunal adjustment), would undermine the carefully established legislative arrangement.¹¹

⁹The FCC's experiment with a retransmission consent approach to the problem bears out Congress's concerns. In 1968 the FCC suspended the hearing process required by its 1966 rules in favor of compliance with then proposed rules requiring cable systems in the top 100 markets to obtain consent from distant stations before transmitting their signals. *Notice in Docket No. 18397*, 15 F.C.C.2d 417 (1968). This experiment resulted in virtually all denials of retransmission rights, leading the period to be known as the "freeze" on cable growth. See *Economic Inquiry Report*, *supra*, 71 F.C.C.2d at 651. There would be little difference as to feasibility considerations whether consent had to be obtained from program producers, which was Congress's focus, or broadcast stations.

¹⁰The 1976 Copyright Act provided for blanket licensing in several contexts in addition to cable television. See 17 U.S.C. § 116 (1976) (juke boxes); *id* § 115 (mechanical royalties); *id*. § 118 (public broadcasting).

¹¹Because we find that the FCC's rejection of a transmission consent requirement was based on a proper construction of the Copyright Act, we do not reach petitioners' further contentions that such a requirement, if not prohibited by the Copyright Act, would be permissible under the Communications Act, 47 U.S.C. § 151 *et seq.* (1976).

Review of the FCC's Rulemaking Process

Apart from arguments based on the Copyright Act, petitioners contend that the FCC's determination to repeal the cable television regulations should be set aside as arbitrary and capricious. 5 U.S.C. § 706(2)(A) (1976). The scope of judicial review of informal rulemaking under the Administrative Procedure Act is circumscribed. Though a reviewing court is to be "searching and careful" in its inquiry to ensure that the agency has articulated a "rational connection between the facts found and the choice made," *Burlington Truck Lines, Inc. v. United States*, 371 U.S. 156, 168, 83 S.Ct. 239, 245, 9 L.Ed.2d 207 (1962), it cannot substitute its judgment for that of the agency. *Citizens to Protect Overton Park v. Volpe*, 401 U.S. 402, 416, 91 S.Ct. 814, 823, 28 L.Ed.2d 136 (1971).

The Report and Order repealing the cable television regulations followed several years of thorough study by FCC staff and extensive public commentary, both before and after reports of findings were issued in 1979. Numerous econometric studies, as well as case studies of existing markets where cable systems had been less strictly regulated because of "grandfathering" provisions in the FCC regulations,¹² were carefully evaluated in reaching the administrative decision. Petitioners challenge the FCC's use of the vast material compiled in the proceeding as biased and irrational, contending that the FCC's conclusion that broadcasting stations would not be injured from cable deregulation was unfounded, and that the FCC failed to consider fully, or impartially, data projecting its decision's adverse economic impact on station finances and program supply. For example, the professional sports leagues claim the Commission did not consider the effect of deregulation on sports programming; the independent television stations charge it with viewing the industry as a whole, thereby ignoring the adverse impact on independents; and American Broadcasting Companies, Inc. ("ABC") contends that the FCC failed to consider the effects of deregulation upon different groups of viewers.

The FCC specifically responded to petitioners' factual and theoretical assertions in the Report and Order, articulating clear reasons when it rejected, or did not fully use, the economic predictions in industry studies due to erroneous assumptions or modeling flaws. *E.g.*, *Economic Inquiry Report*, *supra*, 71 F.C.C.2d at 677-78 (rejecting certain results of Wharton Econometric Forecasting Associates study for National Association of Broadcasters because it used a formula that biased results toward smaller independent stations), *reasserted in Report and Order*, *supra*, 79 F.C.C.2d at 696. It commissioned an outside economist to reanalyze the data in his

¹²Under 47 C.F.R. §§ 76.65 and 76.99 (1980), the regulations regarding distant signal and syndicated exclusivity, respectively, were made inapplicable to signals being transmitted by cable systems prior to March 31, 1972.

study, one on which the FCC's 1979 reports relied, after incorporating industry criticisms of his techniques; his results were unchanged. Appendix B, *Report and Order, supra*, 79 F.C.C.2d at 827 (Rand Note, prepared for FCC by R. Park). The Report and Order thus reasserted the 1979 reports' conclusion that unregulated cable television would divert less than ten per cent of local station audiences, a result that would have only a slight effect on broadcasting industry revenues and the supply of programming. We cannot conclude that this finding was arbitrary or capricious. The Commission offered a rational explanation for its policy founded on a predictive judgment well within its authority. See *FCC v. WNCN Listeners Guild*, ____ U.S. ____, 101 S.Ct. 1266, 67 L.Ed.2d 521 (1981).

[5] Nor do we think the FCC assigned too little significance to, or overlooked, any of the contentions by any of the pertinent segments of the industry. While independent stations are less profitable than network affiliates, there were data indicating that local affiliates were subject to greater audience diversion than independents, *e.g.*, R. Noll, *et al.*, *supra* at 162-69, that UHF stations, most of which are independent, benefited from cable television in terms of improved viewing quality, *e.g.*, *id.* at 166, and that independent stations in the grandfathered markets prospered, *Economic Inquiry Report, supra*, 71 F.C.C.2d at 698-701. Though in the past the FCC has accorded special treatment to UHF stations, it is not required to do so when in its judgement the public interest would be disserved; the FCC's statutory directives are to promote a "rapid, efficient" nationwide communications service and to encourage its use in the "public interest," 47 U.S.C. §§ 151, 303 (1976), neither of which commands a specific industry structure or protection of any particular stations from financial difficulty or even failure. Moreover, the FCC reviewed the circumstances of broadcast stations that filed comments alleging current or potential injury from cable television and found that cable had not adversely affected those stations. *Economic Inquiry Report, supra*. 71 F.C.C.2d at 711. The concerns of independent broadcasters were adequately considered by the FCC and did not require retention of either set of rules.

[6] The independent stations further maintain that the FCC should have grandfathered existing syndicated program exclusivity contracts. The FCC was not required to take such action upon elimination of the exclusivity rules. The property of regulated industries is subject to such limitations as may reasonably be imposed in the public interest, and consequently, as numerous courts have recognized, regulations may be adopted that abolish or modify preexisting interests. For example, in *General Telephone Company of the Southwest v. United States*, 449 F.2d 846, 863-64 (5th Cir. 1971), FCC rules were upheld requiring telephone companies to divest their interests in cable television systems; in rejecting a grandfathering claim, the Court stated that the FCC should not be limited

to building on the status quo when seeking to impose a regulatory policy. Moreover, in deciding not to grandfather existing exclusivity rights, the Commission considered evidence indicating that these exclusivity rights were rarely asserted.

[7] The sports programming issue was not as thoroughly reviewed by the Commission in the preliminary stages of the rulemaking process as other issues, such as the effect on independent stations, because no change in the primary means of sports program protection, the home broadcast blackout rules, 47 C.F.R. § 76.67 (1980), was ever contemplated. However, the Commission did respond to the sports leagues' comments in the Report and Order. The leagues contend that cable television, by making available more broadcasts of games from distant cities when a club is playing at home, will decrease gate receipts, threaten the league concept by hurting weaker franchises, and ultimately lead to less sports programming. But the leagues did not produce any evidence that the number of sports broadcasts by home clubs has been reduced in the existing areas of high cable penetration, or would be reduced in the future. Further, as the FCC noted, many variables besides the availability of sports programming on television influence gate attendance, such as the weather and the caliber of the home and visiting teams. It was not arbitrary for the FCC to conclude that sports programming requires no special protection after the repeal of the distant signal rules.

[8] Finally, the FCC's action is not deficient, as ABC contends, for lack of precise assessment of the impact of repeal on discrete groups of viewers. While the FCC did not conduct detailed demographic studies of cable and noncable television audiences, this fact does not lessen the validity of its conclusion that deregulation is in the public interest. Though lower-income families benefit more from a system of free television than from cable television, *see* R. Noll, *et al.*, *supra* at 25-26, the expansion of cable services was reasonably found not to threaten the basic nature of free television. Given current and estimated cable penetration rates and the profitability of the broadcasting industry, we do not doubt the reasonableness of the FCC's conclusion that programming on free television will not substantially change or diminish after deregulation.¹³ If free television retains its existing programming, then there is an increase in overall consumer welfare and no significant inequity among groups of viewers from the FCC's decision: those who do not purchase cable are substantially unaffected in their viewing patterns, while those who do, being able to pay for programming, some of which does not generate suf-

¹³As in *Home Box Office, Inc. v. FCC*, 567 F.2d 9 (D.C.Cir.) (*per curiam*), *cert. denied*, 434 U.S. 829, 98 S.Ct. 111, 54 L.Ed.2d 89 (1977) (vacating FCC rules restricting pay cable showing of certain feature film and sports programming), there was no significant evidence presented of program siphoning.

ficient mass appeal to be aired on free television, receive a service more responsive to their viewing preferences. *See id.* at 136.¹⁴

Ultimately, the task in adopting rules to achieve the appropriate mix between broadcast and cable services requires determining a desired tradeoff between the inefficiency of the pricing system of cable television and the inadequacy of programming under free television.¹⁵ Since the marginal cost of programs for an extra viewer is zero, any price paid by a cable subscriber for receiving television signals is inefficient.¹⁶ Though free television is price efficient, because advertisers and not viewers pay for programming, the pricing does not reflect the intensity with which viewers prefer to see certain types of shows. *See Spence & Owen, Television Programming, Monopolistic Competition and Welfare*, 91 Q.J.Econ. 103 (1977). Free television consequently limits program diversity by its concentration on mass audience shows, which make advertising worthwhile. In shifting its policy toward a more favorable regulatory climate for the cable industry, the FCC has chosen a balance of television services that should increase program diversity, a valid FCC regulatory goal, *see FCC v. National Citizens Committee for Broadcasting*, 436 U.S. 775, 795-97, 98 S.Ct. 2096, 2112-13, 56 L.Ed.2d 697 (1978); *United States v. Midwest*

¹⁴Although in a system of only pay television (whereby the viewer pays per program or per channel, and not simply a cable subscription and installation fee) the distributional effect would be to shift income from consumers to the television industry, under a cable system consumers gain, and it is the broadcasting network segment that loses due to increased competition from independent stations. R. Noll, *et al.*, *supra* at 135, 173-74, 182.

¹⁵The bulk of the empirical data supports the FCC's position that deregulation will have only a negligible adverse impact on broadcast programming, but plausible economic arguments can be and were made on both sides. Because television is in the nature of a "public good," that is, an increase in the amount available for consumption by one viewer does not reduce the amount available for consumption by other viewers, the marketplace may not produce the optimal mix of programming. *See Besen, Manning & Mitchell, supra* at 83; Samuelson, *Aspects of Public Expenditure Theories*, 40 Rev. Econ. & Stat. 332 (1958); Samuelson, *The Pure Theory of Public Expenditure*, 36 Rev. Econ. & Stat. 387 (1954). The distant signal and syndicated exclusivity rules, in the absence of full copyright liability for cable operators, could function to avoid the problems involved in the private production of a public good like television, by excluding nonpurchasers, who would otherwise be able to enjoy a "free ride" by freely consuming the good and letting others pay for it. *See Demsetz, Private Production of Public Goods*, 13 J.L. & Econ. 293 (1970). Economists differ over the effect of eliminating these rules on the supply of programming and consequently, on the gains in public welfare from pursuing such a regulatory policy. *Compare* R. Noll, *et al.*, *supra* at 66-67, 149 (program supply will not be affected because producers currently receive excessive rents, and may even increase with expansion of cable) *and* Spence & Owen, *Television Programming, Monopolistic Competition and Welfare*, 91 Q.J. Econ. 103 (1977) (program supply will increase from large market given relatively unlimited channel capacity of cable), *with* Besen, Manning & Mitchell, *supra* at 81, 85 (program supply will be reduced because program producers cannot collect full value of their work).

¹⁶In economic terms, price equals marginal costs in competitive equilibrium. *See generally* W. Nicholson, *Microeconomic Theory* (2d ed. 1978).

Video Corp., 406 U.S. 649, 669, 92 S.Ct. 1860, 1871, 32 L.Ed.2d 390 (1972) (plurality opinion). While there will undoubtedly be more of the same type of mass audience programming now populating the national networks on cable channels as well, the unlimited number of cable channels holds out the best possibility for special interest programming. As the market shares for mass audiences are divided up among the several stations, programming will be purchased to capture the next largest share, selective audiences, *see* R. Noll, *et al.*, *supra* at 151; Spence & Owen, *supra*, and programs will be supplied when revenues exceed cost and not only when a specified audience size is attained, as under the advertiser-supported system.

The Commission's repeal of the distant signal and syndicated exclusivity rules, after widespread participation of all industry segments and comprehensive evaluation of technical data, reflects the "rational weighing of competing policies" Congress intended to be exercised by the agency and to be sustained by a reviewing court.¹⁷ *See FCC v. National Citizens Committee for Broadcasting*, *supra*, 436 U.S. at 803, 98 S.Ct. at 2116.

Burden of Proof in the Proceedings

[9] Petitioners raise one further contention that merits attention. They argue that the FCC impermissibly shifted the burden of proof in its rulemaking proceeding to those parties seeking retention of the regulations. We disagree. After an extended inquiry into the effect of the existing regulations and the state of the industry that encompassed several years of investigation, and thorough consideration of the vast material compiled, the FCC concluded that the existing regulations should be repealed. Only after receiving that evidence did the FCC ask members of the public who disagreed with its findings to produce data showing how they would be injured by deregulation since it had not found any evidence to that effect. Such action did not reverse the burden of proof because the FCC had already produced an overwhelming mass of evidence supporting elimination of the rules. Rather, its request for data, evincing a desire for widespread participation from all interested segments of the public who might be aware of information that the agency's intensive inquiry did not uncover, reflects the proper exercise of reasoned decisionmaking.

The petition to set aside the Report and Order is DENIED.

¹⁷As one commentator has noted, the more the question of agency choice comes to resemble a political process, weighing claims of competing interest groups, the less the apparent justification for judicial supervision of Congress's delegation of choice to the agency. Stewart, *The Reformation of American Administrative Law*, 88 Harv.L.Rev. 1667, 1787 (1975).

James L. MARTIN, Appellant, v. LITTLE, BROWN AND COMPANY

(Superior Court of Pennsylvania—Argued May 26, 1981—Filed September 4, 1981—Reargument Denied October 12, 1982)

450 A.2d 984. 304 Pa.Super. 424

Plaintiff brought suit to recover one-third of defendant's recovery against third person for copyright infringement, based on information supplied by plaintiff. The Court of Common Pleas, Civil Division, Lancaster County, No. 266, September Term, 1980, Mueller, Jr., J., sustained preliminary objections in nature of demurrer, and appeal was taken. The Superior Court, No. 349 Philadelphia, 1981, Wieand, J., held that: (1) plaintiff, who volunteered information which enabled publisher to effect recovery against third person for copyright infringement was not entitled to recover from publisher, since there was no contractual relationship between plaintiff and publisher, and plaintiff was purely a volunteer and could not properly be reimbursed for unjust enrichment, and (2) alleged statement by defendant publisher's counsel that if plaintiff instituted suit, counterclaim would be filed for abuse of process, was insufficient to give rise to action for intentional infliction of mental distress.

Affirmed.

1. Pleading

Demurrer may be sustained only in clear cases, and all doubts must be resolved in favor of sufficiency of complaint.

2. Implied and Constructive Contracts

Plaintiffs, who volunteered information which enabled publisher to effect recovery against third person for copyright infringement, was not entitled to recover from publisher, since there was no contractual relationship between plaintiff and publisher, and plaintiff was purely a volunteer and could not properly be reimbursed for unjust enrichment.

3. Contracts

Publisher's letter, which invited plaintiff to send his copy of publication which plaintiff advised publisher had plagiarized portion of publisher's book, did not constitute offer to enter unilateral contract, but was no more than response to initial letter by plaintiff in which he notified publisher of copyright infringement and expressed willingness to forward copy of infringing work in which he had highlighted portions and cited pages of publisher's book which had been copied.

4. Contracts

A contract, implied in fact, is actual contract which arises where parties agree upon obligations to be incurred, but their intention, instead of being expressed in words, is inferred from their acts in light of surrounding circumstances.

5. Contracts

An "implied contract" is an agreement which legitimately can be inferred from intention of parties as evidenced by circumstances and ordinary course of dealing and common understanding of men.

See publication Words and Phrases for other judicial constructions and definitions.

6. Implied and Constructive Contracts

Generally, promise to pay reasonable value of service is implied where one performs for another, with other's knowledge, useful service of character that is usually charged for, and

latter expresses no dissent or avails himself of the service; promise to pay for services can, however, only be implied when they are rendered in such circumstances as authorized party performing to entertain reasonable expectation of their payment by party benefited.

7. Implied and Constructive Contracts

When person requests another to perform services, it is ordinarily inferred that he intends to pay for them, unless circumstances indicate otherwise; however, where circumstances evidence that one's work effort has been voluntarily given to another, intention to pay therefor cannot be inferred.

8. Implied and Constructive Contracts

Where one person has been unjustly enriched at expense of another he or she must make restitution to the other.

9. Implied and Constructive Contracts

Unlike true contracts, quasi-contracts are not based on apparent intention of parties to undertake performances in question, nor are they promises; they are obligations created by law for reasons of justice.

10. Implied and Constructive Contracts

Quasi-contract may be found in absence of any expression of assent by party to be charged and may indeed be found in spite of party's contrary intention.

11. Implied and Constructive Contracts

To sustain claim of unjust enrichment, it must be shown by facts pleaded that person wrongfully secured or passively received benefit that would be unconscionable to retain.

12. Implied and Constructive Contracts

Generally, volunteers have no right to restitution.

13. Implied and Constructive Contracts

If one is entitled to recovery for unjust enrichment arising out of his providing information enabling publisher to effect recovery against third person for copyright infringement, he is entitled to reasonable value of services rendered, and not percentage of recovery achieved by publisher as result of copyright infringement.

14. Damages

Alleged statement by defendant publisher's counsel that if plaintiff instituted suit, counterclaim would be filed for abuse of process, was insufficient to give rise to action for intentional infliction of mental distress.

James L. Martin, appellant, in pro. per.
Joseph F. Roda, Lancaster, for appellee.

Before WICKERSHAM, McEWEN and WIEAND, JJ.

WIEAND, *Judge*. This appeal was taken from an order sustaining preliminary objections in the nature of a demurrer to appellant's pro se complaint in assumpsit. The trial court held that a contract had not been made and that there could be no recovery on quantum meruit where appellant had volunteered information which enabled appellee, a publisher

of books, to effect a recovery against a third person for copyright infringement. We agree and, accordingly, affirm.

The averments of the complaint¹ disclose that on September 28, 1976, the appellant, James L. Martin, directed a letter to Bantam Books, Inc. in which he advised the addressee that portions of a paperback publication entitled "How to Buy Stocks" had been plagiarized by the authors of a later book entitled "Planning Your Financial Future." Appellant's letter offered to provide a copy of the book, in which appellant had highlighted the plagiarized passages, with marginal references to the pages and paragraphs of the book from which the passages had been copied. By letter dated October 21, 1976 and signed by Robin Paris, Editorial Assistant, the appellee, Little, Brown and Company, Inc., invited appellant to send his copy of "Planning Your Financial Future." This was done, and appellee acknowledged receipt thereof in writing. Thereafter, appellant made inquiries about appellee's investigation but received no response. Appellant was persistent, however, and upon learning that appellee had agreed with his assertions and was pursuing a claim of copyright infringement, he demanded compensation for his services. Appellee denied that it had contracted with appellant or was otherwise obligated to compensate appellant for his work or for his calling the infringement to the publisher's attention. Nevertheless, appellee offered an honorarium in the form of a check for two hundred dollars, which appellant retained but did not cash. Instead, he filed suit to recover one-third of the recovery effected by appellee.

[1] These facts and all reasonable inferences therefrom have been admitted by appellee's demurrer. *Gekas v. Shapp*, 469 Pa. 1, 5, 364 A.2d 691, 693 (1976); *Buchanan v. Brentwood Federal Savings & Loan Association*, 457 Pa. 135, 139, 320 A.2d 117, 120 (1974). In determining whether they are sufficient to state a cause of action we are guided by the rule that a demurrer may be sustained only in clear cases, and all doubts must be resolved in favor of the sufficiency of the complaint. *Gekas v. Shapp*, supra, 469 Pa. at 6, 364 A.2d at 693; *Clevenstein v. Rizzuto*, 439 Pa. 397, 401, 266 A.2d 623, 625 (1970).

[2, 3] The facts alleged in the complaint are insufficient to establish a contractual relationship between appellant and appellee. Appellant's initial letter did not expressly or by implication suggest a desire to negotiate. Neither did appellee's letter of October 21, 1976, which invited appellant

¹Appellant failed to attach to his complaint copies of correspondence upon which he relied to establish a cause of action, as required by Pa.R.C.P. No. 1019(h). Although such copies were subsequently attached to the brief which appellant filed in the trial court, they were not a part of the complaint and not entitled to be considered in determining the sufficiency thereof. We have examined them solely for the purpose of determining whether appellant should be granted leave to file an amended complaint.

to send his copy of the offending publication, constitute an offer to enter a unilateral contract. It was no more than a response to an initial letter by appellant in which he notified appellee of a copyright infringement and expressed a willingness to forward a copy of the infringing work in which he had highlighted copied portions and cited pages of appellee's work which had been copied. Appellant's letter did not suggest that he intended to be paid, and appellee's response did not contain an offer to pay appellant if he forwarded his copy of the infringing work. In brief, payment to appellant was not discussed in any of the correspondence which preceded the forwarding of appellant's work to appellee.

[4-7] "A contract, implied in fact, is an actual contract which arises where the parties agree upon the obligations to be incurred, but their intention, instead of being expressed in words, is inferred from their acts in the light of the surrounding circumstances. *Cameron v. Eynon*, 332 Pa. 529, 3 A.2d 423 (1939)." *Home Protection Building & Loan Association Case*, 143 Pa.Super. 96, 98, 17 A.2d 755, 756 (1941). An implied contract is an agreement which legitimately can be inferred from the intention of the parties as evidenced by the circumstances and "the ordinary course of dealing and the common understanding of men." *Hertzog v. Hertzog*, 29 Pa. 465, 468 (1857). "Generally, there is an implication of a promise to pay for valuable services rendered with the knowledge and approval of the recipient, in the absence of a showing to the contrary. A promise to pay the reasonable value of the service is implied where one performs for another, with the other's knowledge, a useful service of a character that is usually charged for, and the latter expresses no dissent or avails himself of the service. A promise to pay for services can, however, only be implied when they are rendered in such circumstances as authorized the party performing to entertain a reasonable expectation of their payment by the party benefited. The service or other benefit must not be given as a gratuity or without expectation of payment, and the person benefited must do something from which his promise to pay may be fairly inferred." *Home Protection Building & Loan Association Case*, supra, 143 Pa. at 98-99, 17 A.2d at 756-57, citing 12 Am.Jur., Contracts, § 5. See also: *Irvine Estate*, 372 Pa. 110, 92 A.2d 544 (1952); *Gibb's Estate*, 266 Pa. 485, 110 A. 236 (1920). When a person requests another to perform services, it is ordinarily inferred that that he intends to pay for them, unless the circumstances indicate otherwise. Restatement Restitution § 107(2) (1937). However, where the circumstances evidence that one's work effort has been voluntarily given to another, an intention to pay therefor cannot be inferred. In the instant case, the facts alleged in the complaint disclose a submission of information from appellant to appellee without any discussion pertaining to appellee's payment therefor. Clearly, there was no basis upon which to infer the existence of a unilateral contract.

[8-11] Similarly, there is no factual premise to support a finding that appellee is entitled to recover in quasi-contract for the information supplied by appellant. Where one person has been unjustly enriched at the expense of another he or she must make restitution to the other. *DeGasperi v. Valicenti*, 198 Pa.Super. 455, 457, 181 A.2d 862, 864 (1962). However, unjust enrichment is the key to an action for restitution. *Myers-Macomber Engineers v. M.L.W. Construction Corp., et al.*; 271 Pa.Super. 484, 414 A.2d 357, 360 (1979). The vehicle for achieving restitution is a quasi-contract, or contract implied in law. "Unlike true contracts, quasi-contracts are not based on the apparent intention of the parties to undertake the performances in question, nor are they promises. They are obligations created by law for reasons of justice." *Schott v. Westinghouse Electric Corporation*, 436 Pa. 279, 290, 259 A.2d 443, 449 (1969), quoting Restatement (Second) of Contracts, § 5, comment b. at 24. "Quasi-contracts may be found in the absence of any expression of assent by the party to be charged and may indeed be found in spite of the party's contrary intention." *Schott v. Westinghouse Electric Corporation*, supra at 290-91, 259 A.2d at 449. To sustain a claim of unjust enrichment, it must be shown by the facts pleaded that a person wrongly secured or passively received a benefit that it would be unconscionable to retain. *Brereton Estate*, 388 Pa. 206, 212, 130 A.2d 453, 457 (1957); *Crossgates Realty, Inc. v. Moore*, 479 Pa. Super. 247, 420 A.2d 1125, 1127-8 (1980); *Roman Mosaic & Tile Co., Inc. v. Vollrath*, 226 Pa.Super. 215, 218, 313 A.2d 305, 307 (1973).

[12, 13] As a general rule, volunteers have no right to restitution. *Reiver v. Safeguard Precision Products, Inc.*, 240 Pa.Super. 572, 576, 361 A.2d 371, 373 (1976); *Gaul v. McLaughlin*, 207 Pa.Super. 434, 436, 217 A.2d 757, 758 (1966); Restatement, Restitution § 1, comment (c). Appellant was a volunteer. It was he who made the unsolicited suggestion that he would be willing to submit to appellee his copy of "Planning Your Financial Future" with notations to show which portions had been purloined from "How to Buy Stocks." His offer to do so was not conditioned upon payment of any kind. He did not suggest, either expressly or by implication, that he expected to be paid for this information or for time spent in reducing the same to writing. Thus, the facts averred in the complaint establish that he was purely a volunteer and cannot properly be reimbursed for unjust enrichment.²

²The parties have not briefed and our decision makes it unnecessary that we consider the damages which appellant would otherwise be entitled to recover. It is clear, however, that such damages are measured by the reasonable value of services rendered and not by a percentage of the recovery achieved by appellee as a result of the copyright infringement first observed by appellant. See: *Pulli v. Warren National Bank*, 488 Pa. 194, 412 A.2d 464 (1979); *Lach v. Fleth*, 361 Pa. 340, 64 A.2d 821 (1949).

Finally, appellant's complaint contains a count in trespass for intentional infliction of mental distress. The basis of this claim is an alleged statement by appellee's counsel that if appellant instituted suit, a counterclaim would be filed for abuse of process.

The Restatement (Second) of Torts, in section 46, provides: "One who by extreme and outrageous conduct intentionally or recklessly causes severe emotional distress to another is subject to liability for such emotional distress," Under this rule, "[l]iability has been found only where the conduct has been *so outrageous in character, and so extreme in degree, as to go beyond all possible bounds of decency, and to be regarded as atrocious, and utterly intolerable in a civilized community*. Generally, the case is one in which the recitation of the facts to an average member of the community would arouse this resentment against the actor, and lead him to exclaim, 'Outrageous.' " *Jones v. Nissenbaum, Rudolph & Seidner*, 244 Pa.Super. 377, 383, 368 A.2d 770, 773 (1976), quoting Restatement (Second) of Torts, § 46, comment d. See also: *Papieves v. Kelly*, 437 Pa. 373, 263 A.2d 118 (1970); *Forster v. Manchester*, 410 Pa. 192, 189 A.2d 147 (1963).

[14] The mere threat of a legal counterclaim, even if entirely lacking in merit, will not generally satisfy the strict standard required to make out a case of outrageous conduct. The adversary nature of litigation invariably involves a turbulent contest of wills. Appellant, a law student who threatened to avail himself of the judicial process to assert a claim, cannot properly complain when his adversary threatens to file a counterclaim. This did not give rise to an action for the emotional distress, if any, which appellant suffered when he learned that a new dimension would be added to the litigation. The claim was properly dismissed.

Order AFFIRMED.

GROUCHO MARX PRODUCTIONS, INC. and Susan Marx, as Trustee under the Last Will and Testament of Harpo Marx, Plaintiffs, v. **DAY AND NIGHT COMPANY, INC.**, Alexander Cohen and the Shubert Organization, Defendants

DAY AND NIGHT COMPANY and Alexander Cohen, Third-Party Plaintiffs, v. Richard K. **VOSBURGH** and Frank Lazarus, Third-Party Defendants

No. 80 Civ. 2310 (WCC)

(United States District Court, S. D. New York—October 2, 1981)

523 F.Supp. 485. 212 USPQ 926

[See also 689 F.2d 317, 216 USPQ 553, 46 C.O.Bul. 814 (2d Cir.—*Reversed and remanded*, Sept. 10, 1982)]

Assignees of the Marx Brothers rights of publicity brought action against producers of musical play, "A Day in Hollywood/A Night In the Ukraine" for misappropriation of propriety rights, for interference with contractual relations, and for infringement of common-law copyright and unfair competition and defendants asserted third-party claims. The District Court, Conner, J., held that: (1) New York courts would not only recognize the descendibility and assignability of that right; (2) assignability did not require that claimant exploit his rights of publicity during lifetime by commercial use other than celebrity's main commercial activity; (3) exploitation in movies by the Marx brothers of characters which they had created was sufficient to create rights which were capable of being assigned; (4) those characters were infringed by musical play in which characters reproducing the Marx brothers' style of humor appeared; and (5) that use of Marx brothers characters was not protected by First Amendment as a parody.

Order entered.

1. Torts

Under New York law, right of publicity does exist.

2. Torts

Under New York law, right of publicity survives death.

3. Torts

Under New York law, assignability of right of publicity does not require that claimant exploit his rights of publicity during his lifetime by commercial use other than celebrity's main commercial activity.

4. Torts

Under New York law, exploitation in movies by the Marx brothers of characters which they had created was sufficient to create rights which were capable of being assigned.

5. Constitutional Law

As a general rule, if defendants' works are designed primarily to promote dissemination of thoughts, ideas or information through news or fictionalization, the right of publicity gives way to protected expression; if, however, defendants' use of celebrity's name or likeness is largely for commercial purposes, such as sale of merchandise, right of publicity prevails. U.S.C.A. Const. Amend. 1.

6. Copyrights and Intellectual Property

Characters created by the Marx brothers were infringed by play, "A Day in Hollywood/A Night In the Ukraine" in which characters reproducing the Marx brothers' style of humor appeared.

7. Constitutional Law

Use of Marx brothers' characters in a play, "A Day in Hollywood/A Night In the Ukraine" in which characters reproducing the Marx brothers' style of humor appeared were not protected by the First Amendment as a parody. U.S.C.A. Const. Amend. 1.

Parcher & Herbert, P. C., New York City, for plaintiffs; Peter A. Herbert, Stewart L. Levy, New York City, of counsel.

Pryor, Cashman, Sherman & Flynn, New York City, for defendants; John Fernbach, James A. Janowitz, New York City, of counsel.

Midgal, Tenney, Glass & Pollack, New York City, for third-party defendants; Lawrence W. Pollack, Daniel Glass, George E. Regis, New York City, of counsel.

OPINION AND ORDER

CONNER, *District Judge*: This action arises out of the production of the musical play, "A Day in Hollywood/A Night In the Ukraine" by defendants, Day and Night Company, Inc., Alexander Cohen and the Shubert Organization. (Plaintiffs' claims against the Shubert Organization have now been otherwise resolved). Plaintiffs, Groucho Marx Productions, Inc. and Susan Marx, as Trustee under the will of Harpo Marx, claim, *inter alia*, that defendants have appropriated their rights of publicity in the names and likenesses of Groucho, Harpo and Chico Marx. In their amended complaint plaintiffs also allege causes of action under Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), for misappropriation of proprietary rights, for interference with contractual relations, and for infringement of common law copyright and unfair competition. In turn, defendants have asserted third-party claims against Richard K. Vosburgh and Frank Lazarus, authors of the play. None of the parties has demanded a jury trial.

Presently before the Court are cross-motions for summary judgment. Plaintiffs seek summary judgment based on their right-of-publicity claim. Defendants and third-party defendants (hereinafter referred to as "defendants") have cross-moved for summary judgment on all of plaintiffs' causes of action.

Background

Plaintiffs acquired what rights, if any, they have in the Marx Brothers characters in three ways. Plaintiff Susan Marx claims standing as trustee of the residuary trust under the last will and testament of Adolph ("Harpo") Marx.

Plaintiff Marx Productions claims its rights through contractual assignments. On October 2, 1976, Julius ("Groucho") Marx assigned to plaintiff all right, title and interest in the name, likeness and style of the character Groucho, both as an individual and as a member of the Marx Brothers. Subsequently, on June 13, 1979, Marx Productions executed a similar agreement with the estate of Leo ("Chico") Marx by his widow, Mary Marx Fusco. The will of Leo Marx does not expressly devise any intangible rights; Mary Marx Fusco claimed these rights as the residuary beneficiary of the will.

Plaintiffs assert that these rights have been infringed by the play, which originally opened in the New End Theatre in London, England on January 10, 1979. The play made several other stops before opening on Broadway on May 1, 1980. Plaintiffs take issues with the second half of the play which features performers simulating the unique appearance, style and mannerisms of the Marx Brothers.

Summary Judgment

The claims for summary judgment based on the right of publicity will be considered first. For summary judgment to issue, there must be no questions of material fact and the prevailing party must be entitled to judgment as a matter of law. Rule 56, F.R.Civ.P; *SEC v. Research Automation Corp.*, 585 F.2d 31 (2d Cir. 1978). In resolving the right of publicity claim several legal issues present themselves: (1) whether New York recognizes a common law right of publicity;¹ (2) if so, whether such a right is descendible; and (3) whether the first amendment protection of entertainment limits the scope of the right of publicity as applied in this case.

¹Preliminarily there seems to be some confusion among the parties as to which state's law governs this claim. It appears to the Court that New York law is operative here as the law of the place of the wrong. *Cousins v. Instruments Flyers, Inc.*, 44 N.Y.2d 698, 405 N.Y.S.2d 441, 376 N.E.2d 914 (Ct.App.1978), or as the place with the most significant contracts, *Babcock v. Jackson*, 12 N.Y.2d 473, 240 N.Y.S.2d 743, 191 N.E.2d 279 (Ct.App.1963). All defendants are New York residents, the play has run here longer than in any other place and the Marx Brothers characters were originally developed and perfected in New York.

A. *The Right of Publicity in New York*

Despite burgeoning activity in this area,² New York courts have never explicitly recognized a non-statutory right of publicity. See *Brinkley v. Casablanco*, 80 A.D.2d 428, 438 N.Y.S.2d 1004 (1st Dept. 1981) (citing *Wojtowicz v. Delacorte Press*, 43 N.Y.2d 858, 403 N.Y.S.2d 218, 219, 374 N.E.2d 129 (1978)). The right of publicity, as defined by other courts, represents the right of an individual to control the commercial value of his name and likeness and to prevent their unauthorized exploitation by others. See *Estate of Elvis Presley v. Russen*, 513 F.Supp. 1339, 1353 (D.N.J.1981). Although the right of publicity developed as an offshoot of the law of privacy,³ the right differs in that it protects the plaintiff's commercial interests rather than non-economic interests such as freedom from public embarrassment or scorn.

New York does provide statutory protection against the invasion of privacy of living persons. See N.Y.Civil Rights Law §§ 50 and 51. This statutory right is neither descendible, see *Frosch v. Grosset & Dunlap, Inc.*, 75 A.D.2d.768, 427 N.Y.S.2d 828, (1st Dept. 1980), nor assignable, see *Rosemont Enterprises, Inc. v. Random House, Inc.*, 58 Misc.2d 1, 294 N.Y.S.2d 122, 129 (N.Y.Co.1968), *aff'd*, 32 A.D.2d 892, 301 N.Y.S.2d 948 (1st Dept. 1969), and applies only to limited situations.⁴ Because the present case involves the publicity rights of deceased celebrities, such rights, if they exist, must stem from the common law.

[1] Although no state court has ruled on the issue, several federal courts, including the Second Circuit, have concluded that a right of publicity does exist in New York.⁵ See *Factors Etc., Inc. v. Pro Arts, Inc.* 579 F.2d 215,

²The right of publicity has been the subject of intense scrutiny of courts and commentators alike. See, e. g., *Memphis Development Foundation v. Factors*, 616 F.2d 956 (6th Cir.), *cert. denied*, ___ U.S. ___, 101 S.Ct. 358, 66 L.Ed.2d 217 (1980); *Factors Etc., Inc. v. Pro Arts Inc.*, 579 F.2d 215 (2d Cir. 1978), *cert. denied*, 440 U.S. 908, 99 S.Ct. 1215, 59 L.Ed.2d 455 (1979); *Lugosi v. Universal Pictures*, 25 Cal.3d 813, 160 Cal.Rptr. 323, 603 P.2d 425 (1979) (*en blanc*); Felcher & Rubin. The Descendibility of the Right of Publicity: Is There Commercial Life After Death?, 89 Yale L.J. 1125 (1980); Note, The Right of Publicity—Protection for Public Figures and Celebrities, 42 Brooklyn L.Rev. 527 (1976). The phrase "right of publicity" was used by the Second Circuit in *Haelan Laboratories, Inc. v. Topps Chewing Gum, Inc.*, 202 F.2d 866, 868 (2d Cir.), *cert. denied*, 346 U.S. 816, 74 S. Ct. 26, 98 L.Ed. 343 (1953).

³W. Prosser, Law of Torts, 804 (4th ed. 1971).

⁴In *Lombardo v. Doyle, Dane & Bernbach, Inc.*, 58 A.D.2d 620, 396 N.Y.S.2d 661 (2d Dept. 1977), the court noted *in dictum* that

"... while a cause of action under the Civil Rights Law is not assignable during one's lifetime and terminates at death, the right to publicity, i.e., the property right in one's name, photograph and image is under no such inhibition."

Id. 396 N.Y.S.2d at 664.

⁵Section 51 provides in relevant part:

"[A]ny person whose name, portrait or picture is used within this state for advertising purposes or for the purposes of trade without the written consent first obtained as above

220-21 (2d Cir. 1978), *cert. denied*, 440 U.S. 908, 99 S.Ct. 1215, 59 L.Ed.2d 455 (1979); *Price v. Hal Roach Studios, Inc.*, 400 F.Supp. 836, 844 (S.D.N.Y.1977).

The Second Circuit first considered whether a claim for the commercial infringement of one's likeness is cognizable outside of the privacy statute in *Haelan Laboratories v. Topps Chewing Gum, Inc.*, 202 F.2d 866, *cert. denied*, 346 U.S. 816, 74 S.Ct. 26, 98 L.Ed. 343 (1953). In *Haelan* the question was whether a contract signed by a ballplayer for the exclusive right to use his photo constituted a release of liability under the privacy statute or an assignment of a property right in his likeness. *Id.* at 867. The court held that the contract was a valid assignment of the right to market the ballplayer's likeness and stated:

"[w]e think that, in addition to and independent of that right of privacy (which in New York derives from statute), a man has a right in the publicity value of his photograph,

"This right might be called a 'right of publicity.' For it is common knowledge that many prominent persons (especially actors and ball-players), far from having their feelings bruised through public exposure of their likenesses, would feel sorely deprived if they no longer received money for authorizing advertisements, popularizing their countenances, displayed in newspapers, magazines, busses, trains and subways. The right of publicity would usually yield them no money unless it could be made the subject of an exclusive grant which barred any other advertiser from using their pictures." *Id.* at 868.

The right, having been distinguished from a right personal to the individual, is capable of being transferred by him for commercial purposes. *Id.*

Following *Haelan*, other cases decided in this district have recognized a right of publicity under New York law. See *Hicks v. Casablanca Records*, 464 F.Supp. 426 (S.D.N.Y.1977); *Price v. Hal Roach Studios, Inc.*, 400 F.Supp. 836 (S.D.N.Y.1975). Moreover, in *Factors Etc., Inc. v. Pro Arts*, 579 F.2d 215 (2d Cir. 1978), *cert. denied*, 440 U.S. 908, 99 S.Ct. 1215, 59 L.Ed.2d 455 (1979), the Second Circuit, assuming at the time the applicability of New York law, reaffirmed its conclusion that New York recognizes a right of publicity as a transferable interest. *Id.* at 221⁶

provided may maintain an equitable action in the supreme court of this state against the person, firm, or corporation so using his name, portrait or picture, to prevent and restrain the use thereof; and may also sue and recover damages for any injuries sustained by reason of such use. . . ."

⁶In a subsequent appeal in the *Factors* case the Second Circuit, upon determining that Tennessee law applied, held that there was no descendible right of publicity. *Factors Etc., Inc. v. Pro Arts, Inc.*, 652 F.2d 278 at 283 (2d Cir. 1981). This holding was premised on the conclusion that, under the circumstances, one court of appeals should defer to another circuit as to the law of a state within that circuit. *Id.* Thus the Second Circuit adhered to the interpretation of Tennessee law in a recent Sixth Circuit opinion, *Memphis Development Foundation v. Factors Etc., Inc.*, 616 F.2d 956 (6th Cir.), *cert. denied*, ____ U.S. ____, 101 S.Ct. 358, 66 L.Ed.2d 217 (1980). The more recent *Factors* decision does not appear to alter the Second Circuit's position on the state of the law in New York. See *Factors* at 282 (writer would probably uphold descendible right of publicity were he serving on Tennessee Supreme Court); *id.* at 287 (Mansfield, J., dissenting) (where publicity right exploited by individual during lifetime, right should be devisable or descendible at death).

Given the Second Circuit's clearly stated opinion on this issue, this Court need only examine state cases decided after *Factors* in order to determine whether there is any new indication that those courts disagree with the federal interpretation of New York Law.

In two cases decided after *Factors*, the First Department has discussed, but not decided, the issue of the existence of a common law right of publicity. In *Frosch v. Grosset & Dunlap, Inc.*, 75 A.D.2d 768, 427 N.Y.S.2d 828 (1st Dept. 1980) (mem.), the court considered claims by Marilyn Monroe's estate that a fictional biography published after Ms. Monroe's death infringed her rights of privacy and publicity. The court rejected the privacy claim because the Civil Rights Law applies only to "any living person." As to the right of publicity claim, the court, instead of disposing of it as part of the statutory claim, dismissed on the separate ground that, even if the estate possessed such rights, first amendment considerations would prevail and would preclude a finding of liability. *Id.* 427 N.Y.S.2d at 829.

The First Department again had occasion to discuss the right of publicity in *Brinkley v. Casablancas*, 80 A.D.2d 428, 438 N.Y.S.2d 1004 (1st Dept., 1981). *Brinkley* involved a suit by a model to enjoin the sale of an unauthorized poster bearing her likeness and to recover damages under the privacy statute. The defendants claimed that the plaintiff's damages were of a commercial nature and thus her claim was not within the ambit of Section 51. The court held that the statutory right of privacy embraces a public figure's commercial interest in the exploitation of his personality. Although the court noted the state and federal cases discussing an independent, nonstatutory right of publicity, it decided that those cases were inapposite where the statute covered the activity complained of. The court concluded that "irrespective of whether a separate and distinct common law right of publicity exists" in New York, the privacy statute provides monetary relief for the invasion of commercial value in one's likeness. The decision, therefore, cannot be read as casting doubt on the New York courts' willingness to recognize the commercial value in a name and likeness. Accordingly, this Court finds, in line with other courts in this Circuit, that a suit for infringement of publicity is cognizable under New York law.

B. *The Descendability of the Right*

[2] In deciding whether the right of publicity survives death this Court again finds guidance in prior decisions of the Second Circuit. In *Factors Etc., Inc. v. Pro Arts, Inc.*, 579 F.2d 215 (2d Cir. 1978), *cert. denied*, 440 U.S. 908, 99 S.Ct. 1215, 59 L.Ed.2d 455 (1979), the Second Circuit, assuming the governance of New York law, considered whether the right of publicity survived Elvis Presley's death. During Presley's lifetime the

commercial rights to his likeness were marketed through Boxcar Enterprises, a corporation controlled by Presley and his manager. *Id.* at 217. Two days after Presley's death, these rights were assigned to Factors. The court held that the assigned right of publicity survived Presley's death, reasoning that

"[t]he death of Presley, who was merely the beneficiary of an income interest in Boxcar's exclusive right, should not in itself extinguish Boxcar's property right. Instead, the income interest, continually produced from Boxcar's exclusive right of commercial exploitation, should inure to Presley's estate at death like any other intangible property right. To hold that the right did not survive Presley's death, would be to grant competitors of Factors, such as Pro Arts, a windfall in the form of profits from the use of Presley's name and likeness. At the same time, the exclusive right purchased by Factors and the financial benefits accruing to the celebrity's heir would be rendered virtually worthless." *Id.* at 221.

In reaching its decision in *Factors*, the Second Circuit analyzed another case from this district, *Price v. Hal Roach Studios, Inc.*, 400 F.Supp. 836 (S.D.N.Y.1975). In *Price* the court applied New York law in determining whether the right to exploit the names and likenesses of Laurel and Hardy survived their deaths. The plaintiff corporation had been assigned the pair's commercial rights by Stan Laurel (during his lifetime), by Oliver Hardy's widow (who claimed her rights as Hardy's sole heir) and by Laurel and Hardy Productions. After the death of both Laurel and Hardy, the plaintiff sued to protect against infringement of its rights by the defendants. The court found that, unlike the situation obtaining with respect to the right of privacy, there is "no logical reason" to terminate the publicity right upon the death of the person protected.

"Since the theoretical basis for the classic right of privacy, and of the statutory right in New York, is to prevent injury to feelings, death is a logical conclusion to any such claim. In addition, based upon the same theoretical foundation, such a right of privacy is not assignable during life. When determining the scope of the right of publicity, however, one must take into account the purely commercial nature of the protected right. Courts and commentators have done just that in recognizing the right of publicity as assignable. There appears to be no logical reason to terminate this right upon death of the person protected. It is for this reason, presumably, that this publicity right has been deemed a 'property right.'" *Id.* at 844 (footnotes omitted).

In *Factors*, the Second Circuit ruled that the right survived Presley's death because it had been exploited during his lifetime.⁷ Although the *Factors* court did not define "exploitation," the term has been interpreted to mean that

"a party claiming the right must establish that decedent acted in such a way as to evidence his or her own recognition of the extrinsic commercial value of his or her name or likeness, and manifested that recognition in some overt manner, e.g., mak-

⁷The Second Circuit left open the question of whether the right would survive the death of the celebrity if not exploited during the celebrity's life. 579 F.2d at 222 n.11.

ing an *inter vivos* transfer of the rights in the name (*Factors*), or posing for bubble gum cards (see *Haelan Laboratories, Inc. v. Topps Chewing Gum, Inc.*, 202 F.2d 866 (2d Cir.), *cert. denied*, 346 U.S. 816, 74 S.Ct. 26, 98 L.Ed. 343 (1953)).” *Hicks v. Casablanca Records*, 464 F.Supp. 426, 429 (S.D.N.Y.1978).

In the present case, defendants assert that the Marx Brothers did not exploit their rights of publicity during their lifetimes. Defendants contend that exploitation means commercial use other than the celebrity’s main commercial activity. Thus, defendants argue, the inquiry should be directed not to the Marx Brothers’ activities as stage, movie, television or night club performers, but to their activities, if any, in product endorsements and the like.

In support of this argument, defendants rely on a case decided by the California Supreme Court, *Lugosi v. Universal Pictures*, 25 Cal.3d 813, 160 Cal.Rptr. 323, 603 P.2d 425 (1979) (*en banc*). In *Lugosi* the widow and surviving son of actor Bela Lugosi, who played the title role in the 1930 film *Dracula*, brought suit to recover profits made by the defendant movie company in its licensing of the “Count Dracula” character. The *Lugosi* court broadly held that the right to exploit one’s name and likeness is personal and must be exercised, if at all, during the owner’s lifetime. 160 Cal.Rptr. at 329, 603 P.2d at 431. The court stated, however, that

“Lugosi could have created during his lifetime through the commercial exploitation of his name, face and/or likeness in connection with the operation of any kind of business or the sale of any kind of product or service a general acceptance and good will for such business, product or service among the public, the effect of which would have been to impress such business, product or service with a secondary meaning, protectable under the law of unfair competition. (*Johnston v. 20th Century-Fox Film Corp.* (1947) 82 Cal.App.2d 796, 810, 187 P.2d 474). The tie-up of one’s name, face and/or likeness with a business, product or service creates a tangible and saleable product in much the same way as property may be created by one who organizes under his name a business to build and/or sell houses according to a fixed plan or who writes a book, paints a picture or creates an invention.” *Id.* 160 Cal.Rptr. at 326, 603 P.2d at 428 (footnote omitted).

Thus defendants urge that exploitation of the right of publicity requires commercial “tie-up” activities. This standard would require theatrical performers to seek tie-ups merely to preserve the descendibility of their right to control the commercial value of their stage personae. Moreover, the standard suggested by defendants appears to exceed that intended by at least one member of the *Lugosi* majority. Justice Mosk clarified his understanding of the majority opinion in his own concurring opinion as follows:

“I do not suggest that an actor can never retain a proprietary interest in a characterization. An original creation of a fictional figure played exclusively by its creator may well be protectible. Thus Groucho Marx just being Groucho Marx, with his moustache, cigar, slouch and leer, cannot be exploited by others. Red

Skelton's variety of self-devised roles would appear to be protectible, as would the unique personal creations of Abbott and Costello, Laurel and Hardy and others of that genre. Indeed the court in a case brought by the heirs of Stanley Laurel and Oliver Hardy (*Price v. Hal Roach Studios, Inc.*, (S.D.N.Y.1975) 400 F.Supp. 836) observed at page 845: 'we deal here with actors portraying themselves and developing their own characters. . . .' *Id.* 160 Cal.Rptr. at 330, 603 P.2d at 432 (Mosk, J., concurring) (citation omitted).

[3] Defendants also rely on *Martin Luther King Jr. Center for Social Change, Inc. v. American Heritage Products, Inc.*, 508 F.Supp. 854 (N.D.Ga.1981). In *King*, the court considered, *inter alia*, a claim by Dr. King's estate that the sale by the defendant of plastic busts of the deceased civil rights leader infringed the estate's right of publicity. The district court ruled that the right did not descend to Dr. King's estate because Dr. King had not exploited the right during his lifetime.

"The commercial exploitation that would be required in this case to permit his heirs to enjoin any and all reproductions of Dr. King's image by third parties requires, we believe, a showing of at least some intent on Dr. King's part to capitalize on the commercial value of his name and likeness. Unlike many celebrities, Dr. King did not exploit his public personality to his commercial advantage by endorsing products or selling merchandise bearing his name or image. It was not his purpose in accepting honorariums for speeches, permitting the use of his photographs, or selling the rights to his speeches to establish his personality as a commercial commodity. . . ." *Id.* at 865.

In my opinion, *King* cannot be read to support the proposition that commercial tie-ups outside the celebrity's major activity are necessary to exploit one's right of publicity. Rather, the court indicated that there must be some showing of actions by the celebrity that demonstrate an intent to capitalize on the commercial value of his name and likeness.

[4] Turning to the resolution of the exploitation issue in the present case, there is little question that Julius Marx demonstrated a recognition of and the intent to capitalize on the value of the name and likeness of the character Groucho. Julius Marx made an *inter vivos* transfer of his rights, an action similar to that taken by Elvis Presley. See *Factors*, 579 F.2d at 217. Moreover, Julius Marx also included a testamentary disposition of his rights in his will.

Neither Leo nor Adolph Marx made any *inter vivos* or specific testamentary disposition of their rights. This fact does not end the inquiry, however, since other acts taken by the two comedians may manifest the requisite intent to exploit the commercial value in the names and likenesses of Chico and Harpo Marx.

As a common sense matter, it must be noted that Leo and Adolph Marx, no less than Julius, earned their livelihoods by exploiting the unique characters they created. Unlike Dr. King whose celebrity status arose from his civil rights work, the Marx Brothers' fame arose as a direct result of

their efforts to develop instantly recognizable and popular stage characters, having no relation to their real personalities. Here, unlike the *King* case, there can be no question of intent to capitalize on the commercial value of artificial personalities created for entertainment purposes. Every appearance, contract and advertisement involving the Marx Brothers signified recognition by the performers of the commercials value of unique characters they portrayed. To suggest, as defendants do, that the right of publicity was not exploited because the Marx Brothers did not endorse dance studios, candy bars or tee shirts is wholly illogical.

For the foregoing reasons, this Court finds that the Marx Brothers exploited their rights of publicity in their self-created characters and therefore those rights are properly asserted here.⁸

C. First Amendment considerations

Defendants contend that the first amendment protects dramatic performances of literary works and therefore plaintiffs' claim of infringement of the right of publicity must fail. Unquestionably, first amendment interests must be considered in defining the scope of the right; the balance between the two has been analyzed in various cases. See, e.g., *Zacchini v. Scripps Howard Broadcasting Co.*, 433 U.S. 562, 569-79, 97 S.Ct. 2849, 2854-59, 53 L.Ed.2d 965 (1977); *Factors Etc., Inc. v. Pro Arts, Inc.*, *supra*, 579 F.2d at 222. Although "entertainment . . . enjoys First Amendment protection," *Zacchini*, 433 U.S. at 578, 97 S.Ct. at 2859, the purpose or function of such entertainment must be scrutinized in determining the scope of the right of publicity. See *Estate of Elvis Presley v. Russen*, 513 F.Supp. 1339, 1356-57 (D.N.J.1981), *Felcher & Rubin, Privacy, Publicity and the Portrayal of Real People by the Media*, 88 Yale L.J. 1577, 1596 (1979).

[5] As a general rule, if the defendants' works are designed primarily to promote the dissemination of thoughts, ideas or information through news or fictionalization, the right of publicity gives way to protected expression. See, e.g., *Frosch v. Grosset & Dunlap, Inc.*, 75 A.D.2d 768, 427 N.Y.S.2d 828 (1st Dep. 1980). If, however, the defendants' use of the celebrity's name or likeness is largely for commercial purposes, such as the

⁸Defendants assert that the standing of Susan Marx presents an issue of fact for trial. They point out that Susan Marx is not named as testamentary trustee under Harpo Marx's will. In response, plaintiffs note that Alva Marx, a/k/a Susan Marx, in her capacity as widow of Adolph Marx was named trustee of the residuary trust under his will pursuant to the "Judgment Settling First and Final Account and Report of Executrix, and of Final Distribution Under Will" issued by the Superior Court of the State of California. Defendants offer no evidence to dispute this but merely assert that the description of Mrs. Marx in the final settlement raises an issue of fact for trial. The Court does not agree with the conclusion given the California court's disposition of Harpo Marx's will.

sale of merchandise, the right of publicity prevails. See, e.g., *Estate of Elvis Presley v. Russen*, 513 F.Supp. at 1358.

Defendants contend that New York courts have indicated that great weight should be given to first amendment considerations in defining the right of publicity. They rely on *Frosch v. Grosset & Dunlap, Inc.*, *supra*, in which the First Department considered a claim by the estate of Marilyn Monroe that a fictional biography violated the estate's right of publicity. Assuming, but not deciding, that such a descendible right exists, the court stated:

"Plaintiff disputes the characterization of the book as a biography. We think it does not matter whether the book is properly described as a biography, a fictional biography, or any other kind of literary work. It is not for a court to pass on literary categories, or literary judgment. It is enough that the book is a literary work and not simply a disguised commercial advertisement for the sale of goods or services. The protection of the right of free expression is so important that we should not extend any right of publicity, if such exists, to give rise to a cause of action against the publication of a literary work about a deceased person." 427 N.Y.S.2d at 829.

Clearly, the situation at issue here is not analogous to that litigated in *Frosch*. The present case does not involve publication of a book discussing the lives or careers of the Marx Brothers; the play constitutes an unauthorized appropriation of the Marx Brothers' characters by imitation of their act.

Nevertheless, *Frosch* does make clear that literary works, including fictionalizations, are entitled to protection. By analogy to copyright law and the fair use doctrine, parody, burlesque, satire and critical review might be immune from the right of publicity because of their contribution as entertainment and as a form of literary criticism. See *Estate of Elvis Presley v. Russen*, 513 F.Supp. at 1359 n.21. In contrast to an imitator, who usurps a work for commercial gain without contributing substantially to the work, a commentator, parodist or satirist makes use of another's attributes in order to create a larger presentation. See Nimmer on Copyright, §§ 13.05 [B], [C].⁹

Defendants contend that the play is a parody of the Marx Brothers' performance and cite reviews of the play terming it a "spoof," "compendium" and "parody." Defendants also rely on the affidavit of Richard Vosburgh, author of the play and a third-party defendant here, stating that his intention was to write a satiric comment on Hollywood movies using a parody of the Marx Brothers movies as one of the literary devices.

⁹In *Elsmere Music, Inc. v. National Broadcasting Co.*, 623 F.2d 252 (2d Cir. 1980), the Second Circuit explained the relationship between the parody and the original.

"A parody is entitled to 'conjure up' the original. Even more extensive use would still be fair use, provided the parody builds upon the original, using the original as a known element of modern culture and contributing something new for humorous effect or commentary."

623 F.2d at 253 n.1.

Applying the principles discussed above to the present case, I find as a matter of law that the defendants' production of the play is not protected expression. At the request of the parties, I reviewed the play in connection with an aborted motion for preliminary injunction. Although entertainment can merit first amendment protection, entertainment that merely imitates "even if skillfully and accurately carried out, does not really have its own creative component and does not have a significant value as pure entertainment." *Estate of Elvis Presley v. Russen*, 513 F.Supp. at 1359.

Although literary commentary may have been the intent of the playwright, any such intent was substantially overshadowed in the play itself by the wholesale appropriation of the Marx Brothers characters. Under the fair use doctrine in copyright law, a parodist is entitled to "conjure up" the original—a concept that allows the artist considerable leeway in building upon the original. See *Elsmere Music, Inc. v. National Broadcasting Co.*, 623 F.2d 252, 253 n.1 (2d Cir. 1980). Here, defendants have gone beyond merely building on the original to the point of duplicating as faithfully as possible the performances of the Marx Brothers, albeit in a new situation with original lines. The Marx Brothers themselves were a parody on life; the play does not present a parody on their parody but instead successfully reproduced the Marx Brothers' own style of humor. Although the playwright may have intended to comment "about 1930's Hollywood, its techniques, its stars and its excesses," Vosburgh Affidavit at 5, the content of the relevant portion of the play attempts to accomplish that objective exactly as would the Marx Brothers themselves.

This conclusion finds support in two cases dealing with appropriations of performers' acts. In *Zucchini v. Scripps-Howard Broadcasting Co.*, 443 U.S. 562, 97 S.Ct. 2849, 53 L.Ed.2d 965 (1977), the Supreme Court considered whether the first amendment immunized from suit a television news show that had broadcast a performer's human cannonball act without his authorization. In concluding that the first amendment did not protect the defendant when it had appropriated the performer's "entire act" the Court noted:

"[t]he rationale for [protecting the right of publicity] is the straightforward one of preventing unjust enrichment by the theft of good will. No social purpose is served by having the defendant get free some aspect of the plaintiff that would have market value and for which he would normally pay.' Kalven, *Privacy in Tort Law—Were Warren and Brandeis Wrong?*, 31 Law & Contemp. Prob. 326, 331 (1966). Moreover, the broadcast of petitioner's entire performance, unlike the unauthorized use of another's name for purposes of trade or the incidental use of a name or picture by the press, goes to the heart of petitioner's ability to earn a living as an entertainer. Thus, in this case, Ohio has recognized what may be the strongest case for a 'right of publicity'—involving, not the appropriation of an entertainer's reputation to enhance the attractiveness of a commercial product, but the appropriation of the very activity by which the entertainer acquired his reputation in the first place." *Id.* at 576., 97 S.Ct. at 2857.¹⁰

¹⁰In *Price v. Worldvision Enterprises, Inc.*, 455 F.Supp. 252 (S.D.N.Y.1978), *aff'd without opinion*, 603 F.2d 214 (2d Cir. 1979) the court enjoined production of a television series that was to portray the comedy team of Laurel & Hardy. The first amendment issue was not addressed in the opinion.

In *Estate of Elvis Presley v. Russen, supra*, the court gave careful consideration to whether the defendant's production of "The Big El Show" was protected expressive activity in a suit for infringement of the right of publicity. The show starred an individual who closely resembled Presley and who imitated the appearance, dress and performing style of the deceased artist. The court found that, despite an informational and entertainment element, the show was predominantly designed to exploit Presley's likeness without otherwise contributing anything of substantial value to society. 513 F.Supp. at 1359. Analyzing the informational value of the show the court noted that "in comparison to a biographical film or play of Elvis Presley or a production tracing the role of Elvis Presley in the development of rock 'n roll, the information about Presley which 'The Big El Show' provides is of limited value." *Id.* at 1360.

[6] In this case, like the *Presley* case, the defendants have not rebroadcast Marx Brothers acts but have reproduced their manner of performances by imitating their style and appearance. The play at issue is not biographical nor can it be viewed as an attempt to convey information about the Marx Brothers themselves or about the development of their characters.

[7] For all the reasons stated, the Court finds that defendants' production of the play is not protected and has infringed the plaintiffs' rights of publicity in the Marx Brothers characters.¹¹

The decision on defendants' cross-motion for summary judgment on plaintiffs' remaining causes of action is reserved pending a pretrial conference to be held on October 16, 1981 at 9:30 A.M., Room 608.

SO ORDERED.

¹¹ Defendants argue that plaintiffs have abandoned their rights or are estopped from asserting them. Defendants state that others have imitated the comedians without licenses and allege that plaintiffs delayed in objecting to the play. No support is offered for these arguments. Even assuming that abandonment and estoppel apply to the right of publicity, defendants have not pointed to any overt act demonstrating plaintiffs' intent to abandon nor have defendants shown facts indicating detrimental reliance on plaintiffs' alleged delay. *Cf. Lottie Joplin Trust v. Crown Publishers, Inc.*, 456 F.Supp. 531, 535 (S.D.N.Y.1977), *aff'd*, 592 F.2d 651 (2d Cir. 1978).

MEDECO SECURITY LOCKS, INC., Plaintiff-Appellee, v. Thomas V. SWIDEREK and Continental Micro, Inc., Defendants-Appellants

No. 80-2784

(United States Court of Appeals, Seventh Circuit—Argued May 1, 1981—Decided May 26, 1981)*

680 F.2d 37. 216 USPQ 577

[See also 212 USPQ 666, 44 C.O.Bull. 652 (N.D. Ill., Oct. 2, 1980)]

Defendant appealed from order of the United States District Court for the Northern District of Illinois, Eastern Division, Thomas R. McMillen, J., granting preliminary injunction which prohibited defendant from printing, publishing or selling book of lock and key code numbers in competition with book copyrighted by plaintiff. The Court of Appeals held that the decision not to hold evidentiary hearing was abuse of district court's discretion.

Vacated and remanded.

1. Injunction

Motion for preliminary injunction should not be resolved on basis of affidavits alone; normally, evidentiary hearing is required to decide credibility issues.

2. Copyrights and Intellectual Property

District court abused its discretion by failing to hold evidentiary hearing before granting preliminary injunction which prohibited defendant from printing, publishing or selling book of lock and key code numbers in competition with book copyrighted by plaintiff.

James T. Fitzgibbon, Fitzgibbon, Roehrig, Greenawalt & Gilhooly, Chicago, Ill., for defendants-appellants.

G. Franklin Rothwell, Bernard, Rothwell & Brown, Washington, D. C., for plaintiff-appellee.

Before SWYGERT, and PELL, Circuit Judges, and CAMPBELL, Senior District Judge.**

PER CURIAM. Defendant Swiderek has appealed to this court from the district court's grant of a preliminary injunction which prohibited Swiderek from printing, publishing, or selling a book of lock and key code numbers in competition with a book copyrighted by plaintiff Medeco. The books inform locksmiths how to produce various keys to fit Medeco's "high-security" locks and for many years Medeco has made its code book available only to those locksmiths who have purchased Medeco's key-

*This appeal was originally decided by unreported order on May 26, 1981. See Circuit Rule 35. The court has subsequently decided to issue the decision as an opinion.

**Senior District Judge William J. Campbell from the Northern District of Illinois is sitting by designation.

making machines. Appellant contends that he obtained the code information contained in his book only by personally examining and measuring tens of thousands of Medeco's publicly available keys. Medeco, on the other hand, claims that appellant obtained the information simply by expropriating the data in Medeco's book in violation of its copyright protection. The district court accepted Medeco's theory and granted the preliminary injunction without briefing or holding any type of a prior hearing. The court stated, however, that its factual findings were "subject to further consideration if conflicting evidence is adduced by defendant. . . ."

[1] We do not believe the district court's granting of an injunction can be upheld. Our conclusion is not based upon the court's opinion on the merits of this controversy, but rather concerns the procedures utilized by the court in granting the injunction. It is well established that, in general, a motion for a preliminary injunction should not be resolved on the basis of affidavits alone. Normally, an evidentiary hearing is required to decide credibility issues. *Forts v. Ward*, 566 F.2d 849, 851 (2d Cir.1977) (citations omitted); *Marshall Durbin Farms, Inc. v. National Farmers Org., Inc.*, 446 F.2d 353, 356 (5th Cir.1971); *Consolidation Coal Co. v. Disabled Miners of So. W. Va.*, 442 F.2d 1261, 1269-70 (4th Cir. 1971), *cert denied*, 404 U.S. 911, 92 S.Ct. 228, 30 L.Ed.2d 184; *SEC v. Great American Indus., Inc.*, 407 F.2d 453 (2d Cir. 1968), *cert. denied*, 395 U.S. 920, 89 S.Ct. 1770, 23 L.Ed.2d 237 (1969); *Detroit & Toledo Shore Line R. Co. v. Bro. of Loc., F. & E.*, 357 F.2d 152 (6th Cir. 1966). The seminal case in this area is *Sims v. Greene*, 161 F.2d 87 (3d Cir. 1947), where the court held that a hearing was required prior to the issuance of a preliminary injunction when the pleadings and affidavits were conflicting:

Such conflicts must be resolved by oral testimony since only by hearing the witnesses and observing their demeanor on the stand can the trier of fact determine the veracity of the allegations made by the respective parties. If witnesses are not heard the trial court will be left in the position of preferring one piece of paper to another.

* * * * *

Rule 65(b) provides that no preliminary injunction shall be issued without notice to the adverse party. Notice implies the opportunity to be heard. Hearing requires trial on the issue or issues of fact. Trial on the issue of fact necessitates opportunity to present evidence and not by only one side of the controversy.

Id. at 88 (footnotes omitted). This holding was reaffirmed in *SEC v. Frank*, 388 F.2d 486 (2d Cir. 1968), where the court applied a sliding-scale test to the question of whether or not a hearing must be provided on a motion for a preliminary injunction. Judge Friendly in writing for the court noted that the issue manifested the tension between the need for speedy action and the desire for certainty and complete fairness, and recognized that a hearing may not be necessary in those cases where the issues are

clear and not in serious dispute (e.g., *Socialist Workers Party v. Ill. St. Board of Elections*, 566 F.2d 586, 587 (7th Cir. 1977), *aff'd*, 440 U.S. 173, 99 S.Ct. 983, 59 L.Ed.2d 230 (1979); *San Francisco-Oakland Newspaper Guild v. Kennedy*, 412 F.2d 541, 546 (9th Cir. 1969)). However, in those cases where “everything depends on what happened and that is in sharp dispute,” the court found “the inappropriateness of proceeding on affidavits attains its maximum. . . .” 388 F.2d at 490–91.

[2] We conclude that the application of these tests to the present case requires the holding of an evidentiary hearing prior to the issuance of the preliminary injunction. Here, the trial court’s decision was reached without the holding of any hearing whatsoever and in the absence of any affidavits or even a verified complaint. The “facts” that the district court determined did not support appellant’s defense were derived solely from the direct examination of appellant by *Medeco* during appellant’s deposition, and the consequent “cross” examination of appellant by his own counsel. This foundation for the trial court’s conclusion regarding the merits of appellant’s defense was insufficient. *Dopp v. Franklin National Bank*, 461 F.2d 873, 879 (2d Cir. 1972). Practitioners rarely engage in extensive interrogation of their clients at depositions called by an opponent. At oral argument, counsel for *Medeco* conceded the correctness of this statement. Discovery deposition testimony, in fact, will often, if not usually, present even less of a complete picture of a party’s position than affidavits presented by that party. The trial court’s reading of such a deposition is an inadequate substitute for the hearing of oral testimony and the observing of a witness’ demeanor in these highly contested cases where the proper characterization of the factual occurrences is crucial and where credibility is a major determinative factor. *Sims, supra* at 88; *Aguirre v. Chula Vista Sanitary Service and Sani-Tainer, Inc.*, 542 F.2d 779, 781 (9th Cir. 1976); *Frank, supra* at 492. This is especially true in the trademark and patent area where a plaintiff can totally prevent the conduct of a defendant’s business through the use of these injunctions. *Carter-Wallace, Inc. v. Davis-Edwards Pharmacal Corp.*, 443 F.2d 867, 871 (2d Cir. 1971). In these circumstances, the decision not to hold an evidentiary hearing was an abuse of the district court’s discretion. The preliminary injunction, therefore, is VACATED. Circuit Rule 18 shall apply on remand.

VACATED AND REMANDED.

Harvey R. **MELTZER**, Plaintiff, v. Meir **ZOLLER**, Mrs. Meir Zoller, Ralph E. Mitschele, Robert V. Doran, Mitschele Construction Corp., Xenco, Inc., William G. Chirgotis, Matthew R. Zito, jointly, severally and in the alternative, Defendants/Third Party Plaintiffs, v. William G. **CHIRGOTIS** and Matthew R. Zito, Third Party Defendants

Civ. A. No. 79-3176

(United States District Court, D. New Jersey—August 17, 1981)

520 F.Supp. 847. 216 USPQ 776

Homeowner brought suit, claiming copyright in architectural plans for his house and alleging that defendants had infringed copyright, and defendants filed third-party complaints against architect and architectural firm, alleging breach of implied warranty of title and breach of contract. The District Court, Whipple, Senior District Judge, held that: (1) where plans utilized in connection with plaintiff's home were not created until after effective date of revised Copyright Act, any possible cause of action for copyright infringement arose only after the date, and thus new Act governed suit; (2) plaintiff could not take advantage of work for hire doctrine; and (3) although plaintiff had prepared sketches illustrating in some detail features of house which he and his wife required and had presented such sketches to architect and although plaintiff contributed ideas and made certain changes and exercised approval power, it was architectural firm, rather than plaintiff, which had created the plans for the house, and thus architectural firm was author of plan for purpose of copyright interests.

Judgment against plaintiff.

1. Copyrights and Intellectual Property

Where plans created in connection with plaintiff's house were unpublished as of effective date of revised Copyright Act but plans utilized in connection with defendant's house were not created until after effective date of revised Act, any possible cause of action for copyright infringement arose only after that date, and thus plaintiff's infringement suit was governed by revised Act. 17 U.S.C.A. § 301, 301(a), (b)(2), 303, 501 note.

2. Copyrights and Intellectual Property

Copyright Act section governing duration of copyrights and works created but not published or copyrighted before January 1, 1978 must be read in conjunction with exemption section, which not only confers exclusive jurisdiction in copyright cases in federal court but also declares that new statutes preempt any common-law rights except those specifically exempted pertaining to all causes of action arising subsequent to January 1, 1978, and thus former section does not extend duration of common law copyright in unpublished work irrespective of mandate of latter statute. 17 U.S.C.A. §§ 301, 301(a), (b)(2), 303.

3. Copyrights and Intellectual Property

Under Copyright Act, not every work prepared by an independent contractor on special order or hire is considered the equivalent of a "work made for hire," but, rather, the only works made for hire are those which fall within one of the statutory categories set forth in section of Act and concerning which parties enter into express written agreement designating work as such. 17 U.S.C.A. §§ 101, 201(a), (b).

See publications Words and Phrases for other judicial constructions and definitions.

4. Statutes

Language of a statute is best indication of legislative intent.

5. Copyrights and Intellectual Property

Architectural drawings do not qualify as works made for hire within Copyright Act. 17 U.S.C.A. §§ 101, 201(a, b).

6. Copyrights and Intellectual Property

Although plaintiff prepared sketches illustrating in some details features of house which he and his wife required, presented sketches to architect, and, throughout evolution of plans, contributed ideas and made certain changes and exercised approval power, where architectural firm was creator of plans, designed the plans and contributed most of the ideas contained therein, and fixed ideas for house in a tangible medium, architectural firm "created" the plans and was "author" of the plans for purpose of copyright interests; ideas and sketches contributed by plaintiff did not sufficiently constitute fixed expressions of ideas, and therefore plaintiff was not creator of plans for his house for copyright purposes and had no cause of action either under work for hire doctrine or as owner of plans. 17 U.S.C.A. § 101.

7. Copyrights and Intellectual Property

Plaintiff could not be considered "joint author" of plans for house with architectural firm, where plaintiff had not created or prepared the plans within meaning of statute. 17 U.S.C.A. § 101.

See publication Words and Phrases for other judicial constructions and definitions.

8. Copyrights and Intellectual Property

Each contributor to a joint work automatically acquires undivided ownership in entire work.

Harvey R. Meltzer, pro se.

Barry L. Shapiro, Sills, Beck, Cummins, Radin & Tischman, Newark, N. J., for defendants/third party plaintiffs.

David C. Dreifuss, Lum, Biunno & Tompkins, Newark, N. J., for third party defendants.

OPINION

WHIPPLE, *Senior District Judge*. This is an action for infringement of a claimed copyright in the architectural plans for plaintiff's house in Livingston, New Jersey. Jurisdiction is invoked pursuant to 28 U.S.C. § 1338(a); the underlying action is premised on the Federal Copyright Act of 1976, 17 U.S.C. § 101 *et seq.* ("The 1976 Act.").

The case was tried to the Court sitting without a jury during five (5) days in April and May, 1981. At the end of the plaintiff's case, defendants moved to dismiss, and the Court reserved decision. Neither defendants nor third party defendants presented witnesses. All parties submitted trial briefs and written summations, as well as proposed findings of fact and conclusions of law. After careful consideration of all the testimony, ex-

hibits, memoranda, and oral arguments, the Court hereby adopts the following findings of fact and conclusions of law. Fed.R.Civ.P. 52(a).

FINDINGS OF FACT

Plaintiff Harvey R. Meltzer is an attorney at law in the District of Columbia who appeared *pro se* in this matter. In the spring of 1977, plaintiff and his wife, who resided at that time in Maryland, contacted Doris Gelvan, a real estate agent in New Jersey, regarding the purchase of a home in New Jersey. Ms. Gelvan initially showed plaintiff and Mrs. Meltzer pre-existing homes for sale. After viewing a few resale homes, the Meltzers decided to investigate having a new home built. Thereupon, on or about June 27, 1977, Doris Gelvan brought plaintiff to meet Mr. Robert V. Doran, a defendant-third party plaintiff in this action, for the purpose of discussing the construction of a single family residence to be located in Livingston, New Jersey. Mr. Doran was the vice president of Xenco, Inc. (hereinafter referred to as "Xenco"), a New Jersey corporation which constructs private homes, as well as vice president of Deerco, Inc., a corporation which purchases land for future sale, and Mitschele Construction Corp., a New Jersey corporation engaged in the preparation of land for the construction of homes.¹

The Meltzers explained to Mr. Doran that they basically wanted a four bedroom, center hall colonial. Mr. Doran indicated that Xenco would commission an architect to prepare the architectural plans for the construction of plaintiff's home. At this time, the Meltzers indicated that they had only \$2,000.00 to expend. Mr. Doran thereupon agreed to accept a check from the Meltzers for \$500.00 payable to Xenco to defray at least a portion of the cost to Xenco for the preparation of the architectural plans should a contract between plaintiff and Xenco not be consummated. It was understood that if a contract were signed, the \$500.00 would be credited toward the total purchase price; but, should a contract not be signed, Xenco would absorb the architect's fees in excess of \$500.00. Accordingly, plaintiff presented Mr. Doran with a check payable to Xenco, Inc. in the amount of \$500.00. Plaintiff had no further discussions with any representatives of Xenco concerning the cost of the architectural plans.

Subsequently, Mr. Doran brought plaintiff, along with Mrs. Meltzer and Doris Gelvan, to the office of Matthew Zito, an architect associated with the architectural firm of William Chirgotis (hereinafter referred to as "Chirgotis"). This architectural firm operated as an independent contractor. At this meeting, Mr. Zito and the Meltzers engaged in a general consultation regarding the design and type of house in which the Meltzers

¹These three corporations are also defendants and third party plaintiffs in the instant action.

were interested. Mr. Zito proceeded to prepare some schematic sketches based upon Chirgotis plans previously designed, but adjusted according to the Meltzers' stated requirements.²

One of the Chirgotis plans, a French colonial home called the Chateau Gaye, was discussed in some detail at this initial meeting, with particular reference to the front elevation. The Meltzers also indicated interest in some aspects of the Eastbrooke, another Chirgotis plan. These two plans were contained in a plan book prepared by the Chirgotis firm called "101 Custom Homes", which Mr. Zito gave to the Meltzers at some time during this initial meeting. At no time during this meeting or thereafter did plaintiff discuss with any representative of the Chirgotis firm the cost of architectural plans to be prepared in connection with the Meltzer home.

The evolution of the plans for the Meltzer home progressed during the month of July, 1977. Mr. Zito coordinated his designs with plaintiff's desires as expressed in part in plaintiff's thumbnail drawings. Plaintiff and Mr. Zito conferred on various occasions regarding plaintiff's desires, and Mr. Doran was advised of any changes made in the plans. The plans upon which construction of the Meltzer home was ultimately based incorporated Mr. Zito's work as well as suggestions of Mr. Doran, the requirements of the Meltzer's as derived in part from plaintiff's sketches, and the designs of the stock plans for the Chateau Gaye and Eastbrooke, products of the Chirgotis firm.³ Annotations to these two latter designs appear on the preliminary plans dated "7/77". Indeed, the contract between Xenco and plaintiff dated September 30, 1977 specifically states that the exterior of plaintiff's home "shall be substantially similar to a home designated the Chateau Gaye as prepared by William G. Chirgotis."

The Chirgotis firm considered the architectural plans for the Meltzer home to be stock plans; part of the inventory of architectural drawings in which the architect claims ownership and which he is free to utilize as he deems appropriate. This understanding stemmed from the practice of the architectural profession as well as the prior business dealings between the Chirgotis firm and Xenco over the course of at least fifteen years.⁴ Place-

²Plaintiff had prepared "thumbnail" sketches indicating his requirements; it is uncertain, however, when these sketches were shown to Mr. Zito. Contrary to the testimony of plaintiff's wife, Mr. Zito testified that he was not shown these sketches at the initial meeting.

³To quote Mr. Zito: "The design (of the Meltzer home) is from my mind, through my hand, my hand and then it goes to draftspeople." (Tr. 3.14, 3-4). And later, "The Meltzer plans, yes they came from the Chateau Gaye was the base—was the footprint that we started with." (Tr. 3.39).

⁴As Mr. Zito testified on cross examination regarding the plans for plaintiff's home: "The drawings are plans I prepare, are instruments of service. And we are providing a design, with our design ideas, and the drawings after they are completed are used to construct his residence. And the drawings themselves are property of me or our firm. . . . Upon completion of the Meltzer home, yes. I would consider them another stock plan in my library plans." (Tr. 3.36, 3.40).

ment of the Meltzer name in the title block on the plans where the name of the client or commissioning party, in this case, Xenco, is usually put, does not affect the superior proprietary interest of the Chirgotis architectural firm in the plans.⁵

On September 30, 1977 plaintiff entered into a contract with Xenco for the construction of a residential home located at 4 Drummond Terrace, Livingston, New Jersey. The purchase price of the Meltzer home was \$140,700.00. At the time of execution of this real estate contract, the Meltzers had available only \$1500.00.⁶ The contract therefore provided that upon execution, the Meltzers would pay Xenco \$2000.00, \$500.00 of which had already been paid. An additional \$12,000.00 was to be paid within two weeks. Accordingly, on the date of execution the Meltzers remitted to Xenco a check in the amount of \$1500.00, but not until November 9, 1977, did they pay the additional \$12,000.00.

The final design was approved by the Meltzers on November 4, 1977, upon which plaintiffs received a copy of the plans. The Chirgotis architectural firm, with full knowledge of all concerned parties, retained the originals.⁷ No discussion ever took place between plaintiff and any member of the Chirgotis architectural firm concerning the ownership of the architectural plans for the Meltzer home; nor did the contract between plaintiff and Xenco contain any provision as to the exclusivity of the plans for the Meltzer home or otherwise restraining Xenco from constructing other homes similar to the Meltzer home.⁸ In December of 1977, the Chirgotis firm submitted a bill to Xenco in the amount of \$1,914.00 for

⁵In this regard, Mr. Zito testified on cross examination that Mr. Doran had mentioned to the Chirgotis office manager that he desired the Meltzer name to be on the title block in lieu of Xenco, the commissioning party.

⁶Plaintiff's wife testified that AT&T, plaintiff's employer, agreed to make available to plaintiff \$50,000 to cover relocation expenses; however, the record demonstrates that this money was not available at the time the construction contract was executed.

⁷The only purpose for retaining original plans is for duplication. Mrs. Meltzer testified that during the period of construction, she discovered that every subcontractor had a copy of the plans, and that when she requested of Mr. Doran to return the plans, he advised that he would do so. She further testified that plaintiff was present on many occasions when these requests were made. The credibility of this testimony is undercut, however, by Uncontested Fact 30 in the Pretrial Order of December 11, 1980, which states:

30. The plaintiff cannot recall whether prior to the institution of litigation he ever requested that Xenco or any representative thereof, return copies of any plans of the Meltzer home which might be in their possession.

Litigation was not instituted until July 10, 1979.

⁸Mr. Zito testified that when a client purchases a set of plans of which they seek to retain exclusive use, the Chirgotis firm would insert a paragraph in the contract with the client to the effect that the plans in question would never be reused or reproduced for another structure without the client's written consent. No contract existed between the Chirgotis firm and the Meltzers, since Xenco was the commissioning party. At the same time, the agreement between the Chirgotis firm and Xenco was an oral contract and contained no such understanding as to exclusivity.

the work performed in preparing the architectural drawings for the Meltzer home. This bill was duly paid by Xenco.⁹

On May 3, 1978, plaintiff went to settlement on the Meltzer home. Mr. Doran subsequently requested access to the Meltzer home to show prospective clients the workmanship on a finished Mitschele-Xenco product, and because the Meltzer home "was always so clean and it showed well." (Tr. 2.6, 16-22). The Meltzers granted Doran permission and he eventually brought over approximately eight or ten couples.

On or about February, 1979, defendants Mr. and Mrs. Meir Zoller contacted Mr. Doran concerning the construction of a single family dwelling. On February 11, 1979, Mr. Doran telephoned plaintiff to request access to the Meltzer home for the Zollers, but was told that it was not convenient. Subsequently, Mr. Zoller visited plaintiff to ask if he could see the Meltzer residence, and later that same day, the Zollers were admitted into the Meltzer home.¹⁰

The Zollers determined to build a home for themselves in Livingston substantially similar to the Meltzer home, and invited the Meltzers to their home to advise them of this intention. Plaintiff was upset by this news and conveyed his unhappiness to Mr. Doran; nevertheless, he conceded that if certain changes in the Zoller home would be made, he had no objections. There were no discussions, however, between the Meltzers and the Zollers concerning any copyright or other proprietary interest in the architectural drawings for the Meltzer home.¹¹

Again, Xenco, through Robert Doran, commissioned the architectural firm of Chirgotis to prepare the plans for the Zoller home. Mr. Doran contacted Mr. Zito and asked if he would prepare another set of plans using the plans prepared in connection with the Meltzer home, albeit with certain changes. The real estate contract between Xenco and Meir Zoller specified that:

"A dwelling is to be erected on the subject premises, substantially in accordance with plans of William Chirgotis, architect, known as plan # 77-870, all substantial changes from said plans must be approved by purchaser." (P-12, Tr. 3.28).

Plan # 77-870 is the plan for the Meltzer home.

⁹According to Mr. Zito's testimony, the Meltzer plans were stock plans, not custom plans. While the charge for custom plans is a percentage for the total cost of the home, excluding land, the charge for stock plans, such as the Meltzer plans, is determined according to an oral understanding with the developer (Mr. Doran) on an hourly fee basis times a multiplier, or two and one-half times the actual drafting cost. This fee is predicated on the assumption that the architect will be able to use the plans again.

¹⁰Mrs. Meltzer testified that before showing her home she obtained assurances from Mr. Zoller that he would not duplicate the home. In contrast, Mr. Zoller set forth in his affidavit that no such promises or assurances were ever made to the Meltzers. (P-Exh. 19-A).

¹¹Mr. Zito never agreed with plaintiff or his wife not to utilize the plans for the Meltzer home for the erection of any other home; indeed the matter was never discussed. When the Court queried whether the Meltzers had ever told Mr. Zito not to use these plans, Mr. Zito responded, "No sir." (Tr. 3.28-3.29).

The final Zoller plan contained the name Xenco in the client section of the title block, with the annotation "Residence for Mr. & Mrs. Zoller" to the left of the title block. The plans required approximately seven and one-half hours of preparation by Mr. Zito. The bill to Xenco, which was for \$765.00, referred to the Zoller plans as "stock plans." The Zoller plans are substantially similar to the Meltzer plans, and both are substantially similar to the plans for the Chateau Gaye.¹²

On July 10, 1979, plaintiff filed a complaint in the Superior Court of New Jersey alleging copyright infringement of the "Meltzer plans."¹³ The case was dismissed on the grounds of federal preemption; subsequently, plaintiff copyrighted the plans and brought suit in this Court under the Federal Copyright Act, 17 U.S.C. § 101 *et seq.* The defendants include the Zollers, Xenco, Inc., which constructed both the Meltzer and the Zoller homes; Ralph E. Mitschele and Robert Doran, president and vice president of Xenco, Inc., respectively; Mitschele Construction Co., which dug the foundations for both homes and Deerco, Inc., which initially purchased the undeveloped land for both homes.

The defendants have in turn filed third party complaints against William G. Chirgotis and Matthew Zito, alleging, among other things, breach of implied warranty of title pursuant to N.J.S.A. 12A:2-312(3), and breach of contract.¹⁴

CONCLUSIONS OF LAW

The gravamen of plaintiff's suit is that defendants conspired to and indeed did copy without authorization the architectural plans for the Meltzer home in which plaintiff alone had copyrightable interest. Plaintiff claims that the copyright interest in the plans vests in him as the author by

¹²The parties do not seriously dispute the similarity of these three plans; nevertheless, there is a question as to the extent of such similarity. Plaintiff insists that the Zoller plans are identical to the Meltzer plans, which, he argues, in turn are significantly different from the Chateau Gaye plans. In contrast, Mr. Zito testified that while both the Zoller and Meltzer plans derived from the same basic "footprint" of the Chateau Gaye, the two homes are not identical. As will be explained *infra*, the Court finds that the resolution of this issue is not germane to the disposition of the case.

¹³In this regard, Uncontested Facts paragraphs 15 and 16 of the Pretrial Order of December 11, 1980, state:

15. At no time prior to the institution of litigation, did Mr. Meltzer request that the architectural firm of William G. Chirgotis give him the original architectural drawings used in the construction of the Meltzer home.

16. Prior to the institution of a lawsuit in the Superior Court of New Jersey on July 10, 1979, the plaintiff had not advised Matthew R. Zito, or anybody associated with the architectural firm of William G. Chirgotis, that he claimed either exclusive ownership of the architectural drawings for the Meltzer home or a copyright thereon. There was no discussion between the plaintiff and Matthew R. Zito, or anyone else associated with the architectural firm of William G. Chirgotis that the plans would be utilized exclusively for the Meltzer home.

virtue of the common law work for hire doctrine. Plaintiff also claims ownership in the plans by reason of their being "original in plaintiff"; additionally, plaintiff argues that the prima facie proof of ownership of the plans established by the Copyright Registration Certificate issued in plaintiff's name has not been rebutted by defendants. For the reasons which follow, this Court concludes that plaintiff does not have the authorship interest in the plans requisite for copyright protection and consequently, his cause of action must fail.

The initial issue for this Court to resolve is which law applies to plaintiff's claims; the revised Federal Copyright Act of 1976, 17 U.S.C. § 101 *et seq.*, as defendants contend, or, as plaintiff contends, the common law.¹⁵

The power to provide copyright protection is delegated to the Congress by the United States Constitution. Article 1, section 8, clause 8, of the Constitution grants to Congress the power "to promote the progress of science and useful arts by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries."

Copyright did not exist at common law but was created by statute enacted pursuant to this Constitutional authority. *See Mazer v. Stein*, 347 U.S. 201, 74 S.Ct. 460, 98 L.Ed. 630 (1954); *see also MCA, Inc. v. Wilson*, 425 F.Supp. 443, 455 (S.D.N.Y.1976); *Mura v. Columbia Broadcasting System, Inc.*, 245 F.Supp. 587, 589 (S.D.N.Y.1965), and cases cited therein.

Prior to January 1, 1978, the effective date of the revised Copyright Act of 1976, there existed a dual system of copyright protection which had been in effect since the first federal copyright statute in 1790. Under this dual system, unpublished works enjoyed perpetual copyright protection under state common law, while published works were copyrightable under the prevailing federal statute. The new Act was intended to accomplish "a fundamental and significant change in the present law by adopting a single system of Federal statutory copyright. . . . (to replace the) anachronistic, uncertain, impractical, and highly complicated dual system." H.R.Rep.No.94-1476; 94th Cong.2d Sess. 129-130, reprinted in [1976] 5 U.S.Code Cong. & Ad.News 5745. This goal was effectuated through the bed-rock provision of 17 U.S.C. § 301, which brought unpublished works within the scope of federal copyright law and preempted state statutory and common law rights equivalent to copyright. *Id.* at 5745-47. Thus, under § 301(a), Congress provided that Title 17 of the United States Code, the Federal Copyright Act, preempts all state and common law rights pertaining to all cause of action which arise subsequent to the effective date of the 1976 Act, *i.e.*, January 1, 1978:

(a) On and after January 1, 1978, all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright as specified by

¹⁵It is unclear whether plaintiff relies on the common law or the Copyright Act of 1909. In view of the conclusions of this Court, however, a discussion of this issue would be academic.

Section 106 in works of authorship that are fixed in a tangible medium of expression and come within the subject matter of copyright as specified by sections 102 and 103, whether published or unpublished, are governed exclusively by this title. Thereafter, no person is entitled to any such right or equivalent right in any such work under the common law or statutes of any State.

17 U.S.C. § 301(a).

Three general areas left unaffected by the preemption are listed in the numbered clauses of subsection (b) of Section 301. Under § 301(b)(2) the new Title 17 does not annul or limit any right or remedy under the common law or state statutes with respect to "any cause of action arising from undertakings commenced before January 1, 1978." As explicated by the Committee on the Judiciary, this exemption refers to "causes of action arising under State law before the effective date of the statute (January 1, 1978)." H.R.Rep.No.94-1476, 94th Cong., 2d Sess. 132, reprinted in [1976] 5 U.S.Code Cong. & Ad.News 5747.¹⁶ No specific reference is made to the ambiguous phrase "undertakings commenced" in § 301(b)(2).

[1, 2] The plans created in connection with the Meltzer home were unpublished as of the effective date of the revised Title 17. Therefore, any copyright interest in these plans was initially determined by common law. Nevertheless, the plans utilized in connection with the Zoller home were not created until after the effective date of the revised Copyright Act, so that any possible cause of action for copyright infringement arose only after that date. Hence, the new Act governs this action. *Strout Realty, Inc. v. Country 22 Real Estate Corporation*, 493 F.Supp. 997, 1000 (W.D.Mo. 1980); *Bromhall v. Rorvik*, 478 F.Supp. 361, 366 (E.D.Pa. 1979).¹⁷ Any

¹⁶See also Pub.L. No. 94-553, § 112, 90 Stat. 2600 (1976), 17 U.S.C. § 501 note, which states: "All causes of action that arose under (the former) Title 17 (Act of 1909) before January 1, 1978 shall be governed by Title 17 as it existed when the cause of action arose." Indeed, Congress recognized that Section 301 preemption might abrogate rights which existed before the effective date of the revised Title 17. In this regard, the Committee on the Judiciary stated:

"The preemption of rights under State law is complete with respect to any work coming within the scope of the bill, even though the scope of exclusive rights given the work under the bill is narrower than the scope of common law rights in the work might have been. H.R. Rep. No. 94-1476, 94th Cong. 2d Sess. 131, reprinted in [1976] 5 U.S. Code Cong. & Ad. News 5747.

¹⁷The First and Second Circuit courts have also implied that § 301(b)(2) should be construed as preserving rights under state law only for causes of action arising before January 1, 1978. *Burke v. National Broadcasting Co.*, 598 F.2d 688, 691 n.2 (2d Cir.), cert. denied, 444 U.S. 869, 100 S.Ct. 144, 62 L.Ed.2d 93 (1979); *Birnbaum v. United States*, 588 F.2d 319, 326 n.15 (2d Cir. 1978). This reading is consistent with § 301(a), the plain meaning of which is that the 1976 Act abolished by preemption common law copyright in all works eligible for copyright protection, regardless of whether the work was created before or after January 1, 1978.

other interpretation would contravene both the letter of the statute and the intent of Congress as evidenced in the legislative history.¹⁸

The revised Federal Copyright Act of 1976 provides that statutory copyright in a work “vests initially in the author or authors of the work.” 17 U.S.C. § 201(a). In the case of a work made for hire:

[T]he employer or other person for whom the work was prepared is considered the author for purposes of this title, and, unless the parties have expressly agreed otherwise in a written instrument signed by them, owns all of the rights comprised in the copyright. 17 U.S.C. § 201(b).

[3] Not every work prepared by an independent contractor on special order or commission is considered the equivalent of a “work made for hire.” Rather, the only “works made for hire” are those which fall within one of the statutory categories set forth in 17 U.S.C. § 101, and concerning which the parties enter into an express written agreement designating the work as such. As defined by Section 101, a work made for hire is:

(2) a work specially ordered or commissioned for use as a contribution to a collective work, as a part of a motion picture or other audio-visual work, as a translation, as a supplementary work, as a compilation, as an instructional text, as a test, as answer material for a test, or as an atlas, *if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire.* For the purpose of the foregoing sentence, a “supplementary work” is a work prepared for publication as a secondary adjunct to a work by another author for the purpose of introducing, concluding, illustrating, explaining, revising, commenting upon, or assisting in the use of the other work, such as forwards, afterwards, pictorial illustrations, maps, charts, tables, editorial notes, musical arrangements, answer material for tests, bibliographies, appendixes, and indexes and an “instructional text” is a literary, pictorial, or graphic work prepared for publication and with the purpose of use in systematic instructional activities. (Emphasis added.)

¹⁸Plaintiff's assertion that 17 U.S.C. § 303 serves to preserve his cause of action under common law copyright is misguided and misconstrues the intended impact of § 301 preemption. Section 303, entitled Duration of Copyright: Works created but not published or copyrighted before January 1, 1978, provides in pertinent part that copyright in such works “subsists from January 1, 1978, and endures for the term provided by section 302.” Although not specifically so stating, § 303 addresses duration of existing common law copyrights which are still valid under the new Act; it does not address the issue of which common law copyrights are preempted. Indeed, in regard to preemption, § 303 must be read in conjunction with § 301, which not only confers exclusive jurisdiction in copyright cases in federal court, but also declares that the new Title 17 preempts any common law rights except those specifically exempted, pertaining to all causes of action arising subsequent to January 1, 1978, such as the case at hand. To interpret § 303 as extending the duration of common law copyrights in unpublished works irrespective of the mandate of § 301 would render nonsensical the clear statutory language of that section and the legislative intention behind the revision of Title 17.

[4, 5] As a rule, "[a statutory] definition which declares what a term 'means' . . . excludes any meaning that is not stated." 2A C. Sands, *Statutes and Statutory Construction* § 47.07 (4th ed. Supp. 1978), cited in *Colautti v. Franklin*, 439 U.S. 379, 392-93 n.10, 99 S.Ct. 675, 684 n.10, 58 L.Ed.2d 596 (1979); *Reliable Volkswagen Sales and Service Co. v. World Wide Auto Corp.*, 216 F.Supp. 141, 143 (D.N.J.1963). In this regard, it is a well-known canon of construction that the language of the statute is the best indication of legislative intent. *Browder v. United States*, 312 U.S. 335, 61 S.Ct. 599, 85 L.Ed. 862 (1941), cited in *AFL & CIO v. Marshall*, 570 F.2d 1030, 1036 (D.C. Cir.1978). Architectural drawings are not included in the categories set forth in Section 101; and hence in accordance with the above-stated principles, do not qualify as works made for hire with the special legal consequences which flow from this designation. *May v. Morganelli-Heumann & Assoc.*, 618 F.2d 1363, 1368 n.4 (9th Cir. 1980);¹⁹ 1 Nimmer on Copyright § 5.03(B)(2)(a) at 5-18, 5-19 (revised ed. 1981). This is true even though the 1909 Act and certain common law jurisdictions included architectural drawings within the rubric of works made for hire for it may be presumed that Congress was aware of the prior construction of the terms in the original act, and deliberately limited the scope of the new Act to exclude architectural plans. See 1A Sands, *Statutes and Statutory Construction* § 22.30 at 178 (3d ed. revised 1972).

In the instant case, plaintiff argues that the architectural plans of the Meltzer home are commissioned works for hire of which he is the author. However, plaintiff may not take advantage of the works for hire doctrine of authorship since architectural plans do not fall within one of the statutorily prescribed categories of work. Nor does there exist the requisite express written agreement between plaintiff and the architect designating the architectural plans as a work made for hire. 17 U.S.C. § 101. Instead, the only agreement evidenced in the record is an oral agreement between Xenco and the architect, Mr. Zito, pursuant to which the Chirgotis architectural firm was to be the author of the plans. Accordingly, any copyright interest which exists in the plans for the Meltzer home belongs to the Chirgotis architectural firm as preparers of the plans.

[6] Even under the common law works for hire doctrine, plaintiff is not the author of the plans for his house. At common law, the work for hire doctrine initially applied only to the employer-employee relationship,

¹⁹The Court of Appeals in *May v. Morganelli-Heumann & Assoc.*, in determining a case of copyright infringement regarding architectural plans under the works for hire doctrine, indicated that it hesitated to apply the 1976 Act retroactively for fear of Constitutional problems. In that case, as in the instant case, application of the new Act would annul plaintiff's claims. The *May* court did not have to determine whether the new Act applied because neither party had raised the issue. Nevertheless, this Court notes that the cause of action in the *May* case arose before the effective date of the new Act, whereas in the instant case, the cause of action arose after that date. This fact changes the complexion of the case and obviates any due process concerns.

although it was expanded in some jurisdictions to include commissioned works. *See generally*, 1 Nimmer on Copyright, *supra*, § 5.03[B] at 5–12 to 5–19. And, a line of cases developed which held that the works for hire doctrine, as articulated in the 1909 Copyright Act, 17 U.S.C. § 26, applied to works where the parties bore the relationship of employer and independent contractor. *Brattleboro Publishing Co. v. Winmill Publishing Corp.*, 369 F.2d 565 (2d Cir. 1966), 1 Nimmer on Copyright, *supra*, § 5.03[B] at 5–13.

In such cases, whether copyright initially vested in the independent contractor preparing the work on commission or in the commissioning party always turned on the intention of the parties where such could be ascertained. If the intention of the parties was not expressly articulated, copyright was presumed to vest in the commissioning party. *Brattleboro Publishing Co. v. Winmill Publishing Co.*, *supra*, at 567 (applying 1909 Act). This presumption was rebuttable and evidence of custom of the industry or pattern of dealings may establish an agreement to the contrary. *May v. Morganelli-Heumann & Assoc.*, *supra* at 1368–69; *see generally* 1 Nimmer on Copyright, *supra* § 5.03(B)(2)(c) at 5–20, 5–22.

In the instant case, there is no agreement explicitly articulating the intention of any of the parties regarding who owns any copyright interest. Accordingly, the presumption that the parties mutually intended copyright to vest in the commissioning party becomes operable absent any persuasive evidence to the contrary. The record does not establish, however, that plaintiff is the commissioning party, despite his input in the plans. To the contrary, the evidence demonstrates that it is Xenco which commissioned the architectural plans for the Meltzer house. Plaintiff never engaged in any conversation with the architectural firm of Chirgotis regarding payment for, ownership of, or copyright interest in the architectural plans in question. Rather, the Chirgotis firm considered that its services were engaged by Xenco, with which it had an oral understanding in conformity with fifteen years of prior dealings. At no time did the Chirgotis firm consider that it had a contract with the Meltzers, notwithstanding the placement of the Meltzer name in the title block of the plans and the control over modification in the plans that plaintiff purportedly exercised. Indeed, all monies received by the Chirgotis firm for these plans were paid by Xenco, not plaintiff. Accordingly as it is Xenco, and not plaintiff, who is the commissioning party, plaintiff cannot establish copyright interest in the plans even under the common law or the 1909 Act.

And in any event, the presumption that copyright interest vested in the commissioning party was overcome here by evidence that the parties intended for the architect to retain copyright interest in the plans. Not only is it the custom of the architectural profession that architects retain ownership of plans unless an express agreement to the contrary exists, but also it is in keeping with the prior dealings of Xenco and the Chirgotis firm as

developed over fifteen years for the architectural firm to retain ownership of the plans unless otherwise explicitly agreed. Indeed, the charge for the Meltzer house plans was predicated upon the assumption that such plans would be reusable by the architect at will. And, in accordance with this understanding, Chirgotis retained the original plans. Consequently, the presumption of ownership by the commissioning party has been overcome in favor of ownership by the architectural firm.²⁰

Having determined that plaintiff may not prevail as author of the plans and therefore owner of any copyright interests therein by virtue of the work for hire doctrine in either its current statutory expression, the common law, or the pre-existing 1909 Act, the Court now turns to plaintiff's contention that he is owner of the plans as they are "original in him." Plaintiff's Trial Summary pp. 12-13. Again, this Court finds that this contention is without merit.

True, plaintiff prepared sketches illustrating in some detail features of the house which he and his wife required, and presented such sketches to the architect, Mr. Zito. It is also true that throughout the evolution of the plans, plaintiff contributed ideas and made certain changes and exercised approval power. But it cannot be gainsaid that the Chirgotis firm, as the architects, are the creators of the plans, and that the architectural firm designed plans and contributed most of the ideas contained therein. The home, a four-bedroom French colonial, is substantially similar to the Eastbrooke and the Chateau-Gaye, two plans designed by the Chirgotis firm and incorporated in the Chirgotis manual, "101 Custom Homes." The plaintiff does not deny this similarity, nor does he dispute that he was familiar with these two plans, and even designated them by name on the preliminary plans for his home.²¹ Indeed, Mr. Zito testified that this type of consultation between client and architect, including the presentation of plans for other houses to the client, and coordination of the client's desires in the plans, is typical in the architectural profession, as well as standard practice at the Chirgotis firm. As further attested to by Mr. Zito:

We designed the structure. We incorporated the Meltzer's requirements, many specific details they had required in certain areas, bedrooms had nooks and crannies that would accomodate specific furniture. They had specific window requirements. They had little thumbnail sketches that they afforded us as to location of lighting fixtures in certain rooms and switching thereof. That type of input. We worked with them hand-in-hand. But no, we didn't scribe the building, no. (T. 3.46, 22 to T. 3.47, 5).²²

²⁰Of course, Xenco and Mr. Zito of the Chirgotis firm agree that the latter is the owner of the plans for the Meltzer home.

²¹Mrs. Gelvan testified that plaintiff was especially interested in the Chateau Gaye plan which Mr. Zito showed to him at their initial meeting and that the layout of the Meltzer home plans is virtually the same as that of the Chateau Gaye. (Tr. 4.58-21 to 59-21). In this regard, Mr. Zito testified that the "fenestration of the Meltzer house is a combination of the Chateau Gaye and Eastbrooke." (Tr. 3.47, 17 to 18).

²²In addition, Mr. Zito prepared the majority of the exterior design of the Meltzer home, and determined the pitch of the roof in consultation with his client, Mr. Doran (Tr. 3.47, 17 to 48, 4).

The Chirgotis firm, by fixing the ideas for the Meltzer home in a tangible medium, "created" those plans, for pursuant to 17 U.S.C. § 101, a "work" is "created" when "it is fixed in a copy . . . for the first time." It logically follows, then, that the Chirgotis firm is the author of these plans for the purpose of copyright interests. In contrast ideas are not, as a matter of law, copyrightable. *Mazer v. Stein*, 347 U.S. 201, 217-18, 74 S.Ct. 460, 470-71, 98 L.Ed. 630 (1954); *Hoehling v. Universal Studios, Inc.*, 618 F.2d 972, 978 (2d Cir.), *cert. denied*, ____ U.S. ____, 101 S.Ct. 121, 66 L.Ed.2d 49 (1980). The ideas and sketches contributed by plaintiff do not sufficiently constitute fixed expressions of ideas; therefore, plaintiff is not the "creator" of the plans for his house for copyright purposes. Without authorship, the *sine qua non* of copyright, plaintiff has no cause of action.

[7, 8] Nor can the plaintiff be considered a "joint author" of the plans with the Chirgotis firm. Under the 1976 Act, a joint work is one "prepared by two or more authors with the intention that their contributions be merged into inseparable or interdependent parts of a unitary whole." 17 U.S.C. § 101.²³ Of course, this would be a fiction here, since plaintiff's failure to have "created" or "prepared" the work within the meaning of the statute bars his asserting a copyright interest even as a joint author of the plans.

For all of the foregoing reasons, this Court finds that plaintiff's claims of copyright infringement against each and every one of the defendants must be dismissed as a matter of law.²⁴

Judgment shall be entered against the plaintiff and in favor of the defendants, with costs. Defendants' third party claims are consequently moot.

²³Each contributor to a joint work automatically acquires an undivided ownership in the entire work. *Pye v. Mitchell*, 574 F.2d 476 (9th Cir. 1978); 1 Nimmer on Copyright, *supra* § 6.03 at 6-6.

²⁴This decision renders irrelevant any discussion of the similarities and differences between the Meltzer and the Zoller plans, or indeed, a determination of any of the other issues raised by any party.

**METRO-GOLDWYN-MAYER, INC., et al. v. SHOWCASE ATLANTA
COOPERATIVE PRODUCTIONS, INC., et al.**

No. C79-1766A

*(United States District Court, N. D. Georgia, Atlantic Div. — Decided
August 26, 1981)*

216 USPQ 685

[See also 479 F.Supp. 351, 203 USPQ 822, 43 C.O.Bull. 644 (N.D. Ga.,
Oct. 12, 1979); 217 USPQ 857, and *infra* (N.D. Ga., Sept. 3, 1981)]

Action by Metro-Goldwyn-Mayer, Inc., The Macmillan Company, Inc., and Stephens Mitchell and Trust Company Bank as Trustee for Eugene Muse Mitchell and Joseph Reynolds Mitchell, against Showcase Atlanta Cooperative Productions, Inc., doing business as Showcase Cabaret, Plump Bess Productions, Inc., Thomas William Edwards, and Kimberley Dobbs, for copyright infringement, unfair competition, and Georgia Anti-Dilution Statute and Uniform Deceptive Trade Practices Act violations. On plaintiffs' motion for partial summary judgment. Motion granted.

COPYRIGHTS

1. Infringement — In general

Concept or form of parody that justifies protection under Copyright Law, and exemption from liability for infringement, consists of original expression that has social value by commenting upon work being parodied.

2. Infringement — In general

Similarity of medium, that is, play, movie, book, etc., is not relevant to application of functional test.

Julius R. Lunsford, Jr., J. Rodgers Lunsford III, Hurt, Richardson, Garner, Todd & Cadenhead, Paul H. Anderson, Sr., T. Hal Clarke, Jr., and Mitchell, Clarke, Pate, Anderson & Wimberly, all of Atlanta, Ga., for plaintiffs.

Anthony B. Askew, Eugene Zimmer, Jones, Thomas & Askew, James C. Rawls, and Powell, Goldstein, Frazer & Murphy, all of Atlanta, Ga., for defendants.

EVANS, District Judge. This action alleging copyright infringement, as well as other claims, is now before the Court on Plaintiffs' Motion for Partial Summary Judgment as to all issues under Count One of the Complaint except the issues of abandonment and estoppel. Plaintiffs made this Motion orally at the pre-trial conference held in chambers on July 8, 1981. Defendants' filed their response to said Motion on August 7, 1981.

The focus of the present Motion is on the issue of "fair use," which has been raised by Defendants in response to Plaintiffs' claim of copyright in-

fringement. The fair use provision of the copyright law, 17 U.S.C. § 107, reads as follows:

Notwithstanding the provisions of section 106 [17 USC § 106], the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include—

- (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
- (2) the nature of the copyrighted work;
- (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- (4) the effect of the use upon the potential market for or value of the copyrighted work.

In this Court's memorandum opinion entered October 12, 1979, in which the Court granted Plaintiffs' motion for a preliminary injunction, the issue of fair use was thoroughly reviewed. Based on the evidence available to the Court at that time, the Court determined that Defendants' play, "Scarlett Fever," was not a "fair use" of Plaintiffs' copyrighted work, *Gone With The Wind*, and thus Plaintiffs had established a substantial likelihood of success on the merits of their copyright infringement claim. In deciding that "Scarlett Fever" did not constitute a fair use, this Court first held that the play did not qualify as a "parody" recognized by the law as one form of fair use. The Court then determined that even if "Scarlett Fever" was such a parody, the play incorporated more material from the copyrighted works (novel and film) than is legally permissible under fair use. Finally, the Court held that "Scarlett Fever" did not qualify as a fair use because it is likely to harm the potential market for or value of the derivative use of *Gone With The Wind* in the form of a theatrical adaptation. The Court also initially determined that "Scarlett Fever" was "substantially similar" to *Gone With The Wind* and that, therefore, Plaintiffs had set forth a *prima facie* claim of copyright infringement.

Plaintiffs now seek summary judgment on the issue of "fair use," arguing that the Court's opinion of October 12, 1979, is determinative of this issue and that there exist no disputed facts which are material to the fair use defense. Defendants' response is threefold: (1) there is a factual dispute as to whether "Scarlett Fever," is a "parody," and this Court's definition of "parody" is in error; (2) the Court's legal conclusion that "Scarlett Fever" incorporates more material from *Gone With The Wind* than is permissible is in error; and (3) there is a factual dispute as to the likelihood of harm posed by "Scarlett Fever" to the potential market for an authorized theatrical production of *Gone With The Wind*. The Court will address these responses in the sequence identified above.

Defendants would argue that any artistic or literary parody is automatically a “parody” within the protection of the legal concept of fair use, citing *Elsmere Music, Inc. v. National Broadcasting Co.*, 482 F.Supp. 741, 206 USPQ 913 (S.D.N.Y. 1979), affirmed, 623 F.2d 252, 207 USPQ 277 (2d Cir. 1980). In *Elsmere Music, supra*, the district court held that under the holding in *Berlin v. E.C. Publications, Inc.*, 329 F.2d 541, 141 USPQ 1 (2d Cir. 1964), and the criteria set forth in 17 U.S.C. § 107, the question is whether the allegedly infringing work is a parody in and of itself and not whether said work is a parody of the copyrighted work. The *Elsmere* court also stated that there is no need for identity between the copyrighted work and the subject of the alleged parody.

[1] This Court is in complete disagreement with such an analysis and conclusion. The concept or form of parody which justifies protection under the copyright law, and exemption from liability for infringement, consists of an original expression which has social value by commenting upon the work being parodied. This crucial element of a protected parody was recognized in *Berlin, supra*, wherein the court said:

For, as a general proposition, we believe that parody and satire *are* deserving of substantial freedom—both as entertainment and as a form of social and literary criticism. (at 545) (emphasis in original)

This requirement that the alleged parody somehow comment upon the work being parodied in order to warrant judicial protection is also recognized in *MCA, Inc. v. Wilson*, 425 F.Supp. 443, 199 USPQ 166 (S.D.N.Y. 1976) and *Walt Disney Productions v. Mature Picture Corp.*, 389 F.Supp. 1397, 186 USPQ 48 (S.D.N.Y. 1975). The concept of parody used by this Court in its order of October 12, 1979, also reflects this required element of parody and is a proper definition of parody for purposes of a fair use analysis.

There is no factual dispute as to whether “*Scarlett Fever*” is a parody of *Gone With The Wind* for purposes of determining whether a fair use is involved. The Court, after viewing a performance of “*Scarlett Fever*” and a screening of the film of *Gone With The Wind*, made a thorough comparison of the two and found that, although portions of “*Scarlett Fever*” appeared to parody *Gone With The Wind*, the play as a whole did not constitute a parody of *Gone With The Wind* under the definition found to be appropriate by the Court. The testimony of artistic and literary experts, as to the proper definition of parody and as to whether “*Scarlett Fever*” constitutes a parody of *Gone With The Wind*, is helpful but must be considered as advisory only and is clearly not determinative of these issues. That is a determination for this Court to make, and the analysis based upon the allegedly infringing work “taken as a whole” was agreed upon by all parties and appears to this Court to be the only appropriate and meaningful basis of analysis.

Defendants' second response is that this Court's legal conclusion in the order of October 12, 1979, that "Scarlett Fever" incorporates more material from *Gone With The Wind* than is permissible, is in error and thus summary judgment is not proper. Defendants rely on language by the Court of Appeals in a footnote in *Elsmere Music*, supra, wherein that court said:

* * * we note that the concept of "conjuring up" an original came into the copyright law not as a limitation on how much of an original may be used, but as a recognition that a parody frequently needs to be more than a fleeting evocation of an original in order to make its humorous point. (cite omitted). A parody is entitled at least to "conjure up" the original. Even more extensive use would still be fair use, provided the parody builds upon the original, using the original as a known element of modern culture and contributing something new for humorous effect or commentary. (at 253, n.1)

Defendants also rely on *Walt Disney Productions v. Air Pirates*, 581 F.2d 751, 199 USPQ 769 (9th Cir. 1978), in support of their argument.

Having reviewed these cases, the Court finds that they are not inconsistent with the analysis used in this Court's order of October 12, 1979. In that order, this Court applied the "recall or conjure up" test developed in *Berlin*, supra. That exact test was the basis of the analysis in *Air pirates*, supra. In *Elsmere Music*, supra, the Second Circuit did not contradict or undercut its earlier analysis in *Berlin*, but in a footnote merely amplified the meaning of the "conjure up" concept. This Court is in full agreement with the appellate court's viewpoint in *Elsmere* and finds that such a view is compatible with this Court's earlier analysis and conclusion. This Court also finds that it properly applied the *Berlin* test to the facts of this case. If Defendants had parodied most of the material which they copied from *Gone With The Wind*, then such extensive copying would have been permissible as necessary to "conjure up" the original work under the analysis of both *Berlin*, supra, and *Elsmere*, supra. Instead, their copying of so much of the original while parodying such a small amount of what was copied clearly fails the "conjure up" test.

Defendants' third and final response to Plaintiff's request for summary judgment on the issue of fair use is that there exists a factual dispute as to the likelihood of harm posed by "Scarlett Fever" to the potential market for an authorized theatrical production of *Gone With The Wind*. This Court's original analysis employed the "functional test" set forth by Professor Nimmer in his treatise on copyright law. In applying that test, the Court determined that "Scarlett Fever" would be likely to harm the potential market for a theatrical production of *Gone With The Wind* because both works share the primary function of "entertainment" and would therefore be competing for the same audience. Defendants argue that the Court's determination of function was too broad; that although both "Scarlett Fever" and a theatrical production of *Gone With The Wind* are

meant to entertain, "Scarlett Fever" entertains through comic effect, whereas any authorized stage version of *Gone With The Wind* will be in a non-comedy form. As a result of this distinction in type of entertainment provided, Defendants contend that rather than competing for the same audience, "Scarlett Fever" and a non-comedy stage production of *Gone With The Wind* are likely to share some of the same audience as well as attracting separate audiences.

[2] The Court is persuaded by Defendants' analysis on this point and agrees that labeling the respective functions as "entertainment" was too broad a characterization in this case. Merely because two works entertain does not mean that they attract the same audience or that they cannot actually share much of the same audience. The preferred analysis should be based on the style or content of the entertainment (such as comedy, tragedy, melodrama, etc.) rather than "entertainment" as a general function. This reflects Nimmer's view, joined by this Court, that similarity of medium (play, movie, book, etc.) is not relevant to application of the functional test. This Court notes further that there does exist a factual dispute as to whether a stage version of *Gone With The Wind* in the style of a comedy is likely to be authorized by Plaintiffs. Although such disputed facts preclude summary judgment on the issue of the harm posed by "Scarlett Fever" to the potential market for an authorized theatrical production of *Gone With The Wind*, summary judgment on the issue of fair use is still appropriate based on this Court's analysis of Defendants' first two responses.

In conclusion, the Court finds that Defendants have not set forth any new facts or legal authority that would suggest that this Court's earlier determination, both that "Scarlett Fever" was not a parody for fair use purposes and that "Scarlett Fever" incorporated more of *Gone With The Wind* than is legally possible for fair use protection, was in error legally or factually. The Court finds that there exists no material factual dispute concerning either of the two sub-issues identified immediately above. Therefore, summary judgment in favor of Plaintiffs on the issue of fair use is appropriate.

Plaintiffs' Motion for Partial Summary Judgment on the issue of fair use is hereby GRANTED.

SO ORDERED.

METRO-GOLDWYN-MAYER, INC. et al. v. SHOWCASE ATLANTA COOPERATIVE PRODUCTIONS, INC., et al.

No. C79-1766

(United States District Court, N. D. Georgia, Atlantic Div. — Decided September 3, 1981)

217 USPQ 857

[See also 479 F.Supp. 351, 203 USPQ 822, 43 C.O.Bull. 644 (N.D. Ga., Oct. 12, 1979); 216 USPQ 685, and *supra* (N.D. Ga., Aug. 26, 1981)]

Action by Metro-Goldwyn-Mayer, Inc., The Macmillan Company, Inc., and Stephens Mitchell and Trust Company Bank as Trustee for Eugene Muse Mitchell and Joseph Reynolds Mitchell, against Showcase Atlanta Cooperative Productions, Inc., doing business as Showcase Cabaret, Plump Bess Productions, Inc., Thomas William Edwards, and Kimberley Dobbs, for copyright infringement, unfair competition, and Georgia Anti-Dilution Statute and Uniform Deceptive Trade Practices Act violations. Judgment for plaintiffs.

COPYRIGHTS

1. Abandonment

Georgia Federal District Court is unpersuaded by arguments that law recognizes or should recognize concept of limited abandonment of copyright; fact that occasional infringement slips through copyright holder's surveillance net is insufficient to establish intent required to find abandonment; that is particularly true where evidence shows general persistence by holder of copyright in enforcing its rights.

2. Estoppel — In general

Mere fact that defendants heard from third parties that no one had complained about their arguably infringing productions does not in any way estop plaintiffs from enforcing their rights against defendants.

3. Accounting — Damages — Copyrights

17 USC 504(c)(2) permits court to make award up to \$50,000 for intentional copyright violations.

4. Accounting — Damages — Copyrights

17 USC 504(c)(1) applies to unintentional infringement and permits court to make award of no less than \$250, but no more than \$10,000.

Julius R. Lunsford, Jr., J. Rodgers Lunsford III, Hurt, Richardson, Garner, Todd & Cadenhead, Paul H. Anderson, Sr., T. Hal Clarke, Jr., and Mitchell, Clarke, Pate, Anderson & Wimberly, all of Atlanta, Ga., for plaintiffs.

Anthony B. Askew, Eugene Zimmer, Jones, Thomas & Askew, James C. Rawls, and Powell, Goldstein, Frazer & Murphy, all of Atlanta, Ga., for defendants.

EVANS, *District Judge*. This case is presently before the Court for findings of facts and conclusions of law following trial to the Court sitting without a jury on August 31, 1981.

As is more fully set forth in a lengthy order entered on October 12, 1979, this case grows out of Defendant's attempts to put on a musical production entitled "Scarlett Fever," which Plaintiffs claim infringes on their various interests in Margaret Mitchell's copyrighted novel *Gone With The Wind* and the copyrighted film by the same name. Defendants admitted that there are significant similarities between the proffered musical production and the copyrighted works, but take the position it is protected under the so-called "fair use" defense which protects various forms of comment upon copyrighted works, including the forms of parody and satire. In the October 12 Order, the Court found preliminarily that "Scarlett Fever" was not a parody or satire and that it was not entitled to fair use protection.

In an Order subsequently entered on Plaintiff's motion for partial summary judgment, the Court determined that there was no genuine dispute as to any material fact and that "Scarlett Fever" is, as a matter of law, not a parody or satire. The Court held the fair use defense is therefore unavailable to Defendants as a matter of law.

The Court hereby finds and concludes as follows:

The only issues remaining for trial are those presented by two of Defendants' defenses¹, abandonment and estoppel. Although Defendants admit Plaintiffs have generally been quite vigorous in protecting their copyrights, they contend Plaintiffs have not been diligent in enforcing their rights against "humorous treatments" of *Gone With The Wind*. They introduced into evidence a videotape of a spoof which appeared on the Carol Burnett Show (television), called "Went With The Wind." It was shown that Plaintiffs had not objected to this program, although the evidence also showed that the producer of the program had not sought advance permission from Plaintiffs to show it either. Defendants' witness Chris McIntyre further testified that the Wit's End Players had done what he believed to be a takeoff of *Gone With The Wind* and that he had been told there were no reprisals from Plaintiffs. He stated he had not received any assurances from Plaintiffs relative to "Scarlett Fever," however.

Plaintiffs take the position that there is no such thing as a limited abandonment. In other words, a copyright is abandoned for all purposes or not at all. Moreover, Plaintiffs claim that "Went With The Wind," unlike "Scarlett Fever" is a parody and therefore they had no right to complain of it.

[1] The Court is unpersuaded by Defendants' arguments that the law recognizes or should recognize the concept of "limited abandonment" of a

¹Other defenses have previously been dismissed by the Court. See Order of July 24, 1980.

copyright. No pertinent authority has been cited for the proposition and the Court knows of none. Further, the evidence before the Court falls far short of that required to show that Plaintiffs have abandoned their copyrights. Even if the other performances cited by Defendants as not having been objected to are not parody², the fact that an occasional infringement slips through a copyright holder's surveillance net is insufficient to establish the intent required to find abandonment. That is particularly true where, as here, the evidence shows a general persistence by the holder of the copyright in enforcing its rights. See generally *Imperial Homes Corp. v. Lamont*, 458 F.2d 895, 898, 173 USPQ 519, 521-22 (5th Cir. 1972); *Hampton v. Paramount Pictures Corp.*, 279 F.2d 100, 104, 125 USPQ 623, 625-26 (9th Cir.), cert. denied, 364 U.S. 882 (1960); *National Comics Publications, Inc. v. Fawcett Publications, Inc.*, 191 F.2d 594, 598, 90 USPQ 274, 277 (1951), clarified, 198 F.2d 927 (2d Cir. 1952); *Lot-tie Joplin Thomas Trust v. Crown Publishers, Inc.*, 456 F. Supp. 531, 535, 195 USPQ 49, 52-53 (S.D.N.Y. 1977), aff'd, 592 F.2d 651 (2d Cir. 1978); *Southwestern Bell Telephone Co. v. Nationwide Directory Service, Inc.*, 371 F. Supp. 900, 905, 182 USPQ 193, 196 (W.D. Ark. 1974); *Marvin Worth Productions v. Superior Films Corp.*, 319 F. Supp. 1269, 1273, 168 USPQ 693, 696-97 (S.D.N.Y. 1970). Also, the Court notes that so far as the evidence here indicates, Plaintiffs have never given approval to any person to perform or produce an imitation, spoof, or version of *Gone With The Wind*.³

[2] Defendants' estoppel defense is equally unconvincing. Defendants never received assurances from anyone connected with Plaintiffs that their production would be permitted. The mere fact that Defendants heard from third parties that no one had complained about their arguably infringing productions does not in any way estop Plaintiffs from enforcing their rights against Defendants. See *Hampton v. Paramount Pictures Corp.*, supra, at 104-05, 125 USPQ at 625-26.

Having previously found that the fair use defense is inapplicable, and now having resolved all defenses against Defendants, the Court finds that the production "Scarlett Fever" violates Plaintiffs' copyrights and thus Plaintiffs' request for permanent injunctive relief against any further production of "Scarlett Fever" is hereby *Granted*.

[3, 4] Turning to the remaining issue herein, the Court is called upon to determine what damages to award against Defendants. Plaintiffs have elected not to seek actual damages. Instead, they seek an award of statutory damages under 17 U.S.C. § 504(c)(1) or 17 U.S.C. § 504(c)(2). The latter code section permits the Court to make an award of up to \$50,000.00 for intentional copyright violations. The former code section

²The Court does find that "Went With the Wind" is parody.

³See Defendant's Exhibit #15, letter dated February 7, 1979, denying permission to a third grade teacher to use material from the book as the basis for a school play.

applies to unintentional infringement and permits the Court to make an award of no less than \$250.00, but no more than \$10,000.00.

The Court finds, primarily based on the testimony of Chris McIntyre, that the infringement involved here was not intentional. There is little question in the Court's mind but that Defendants set out to do a takeoff or spoof of *Gone With The Wind*.⁴ This type of presentation is in keeping with the type of light entertainment offered by Showcase Cabaret. The Court deduces Mr. McIntyre believed that if he produced a spoof of *Gone With The Wind*, it would be protected under the copyright law. As a matter of fact, his assumption was correct.

The Court believes Defendants' plans to do a spoof went awry when the production turned into an ambitious full-length theatrical production. Although the play does contain a good bit of parody in the form of mockery of the original film, there is enough tragedy, straight drama, and original creation (in the original songs) in the production that, in the Court's opinion, the overall effect is not predominantly one of parody or satire but rather that of a light musical comedy version of *Gone With The Wind*, which draws its vitality primarily from the themes, characters, and perspectives of the original film, not from Defendants' comment on those themes, characters and perspectives.

Under the provisions of 17 U.S.C. § 504(c)(1), the Court may assess damages between \$250.00 and \$10,000.00 for unintentional infringement. Taking into account the fact that only one public showing of "Scarlett Fever" was held before the temporary restraining order issued, and the fact that Defendants have already incurred substantial losses in connection with the production being closed down, the Court believes only a nominal award of damages is in order. Therefore, the Court in the exercise of its discretion hereby finds that Defendants are liable to Plaintiffs in the sum of \$500.00, plus all costs of court, for their infringement of the copyright laws.

Having thus ruled it is unnecessary to address the pendant state causes of action.

The Clerk is hereby *Directed* to enter final judgment in favor of Plaintiffs, permanently enjoining Defendants, their agents and employees, and all acting in concert with them, from any further productions of the play "Scarlett Fever"; also, awarding damages in the sum of \$500.00 in favor of Plaintiffs, with costs cast on the Defendants.

SO ORDERED.

⁴Plaintiffs point to the fact that Defendants initially characterized "Scarlett Fever" as an "affectionate musical comedy." However, it is also clear to the Court that Defendants' advertisements conveyed the impression to the public that the performance was a takeoff on *Gone With The Wind*.

MIDWAY MFG. CO. v. ARTIC INTERNATIONAL, INC.

No. 80 C 5863

(United States District Court, N. D. Illinois—Decided June 2, 1981)

211 USPQ 1152

[See also 547 F.Supp. 999, 216 USPQ 413, 46 C.O.Bull. 826 (N.D. Ill., Mar. 10, 1982); 704 F.2d 1009, 218 USPQ 791, 47 C.O.Bull.____ (7th Cir.—*Affirmed*, Apr. 11, 1983); *Artic International, Inc. v. Midway Mfg. Co.*, 464 U.S. 823, 104 S.Ct. 90, 78 L.Ed.2d 98, 220 USPQ 480 (U.S. Sup. Ct.—*Certiorari denied*, Oct. 3, 1983)]

Action by Midway Mfg., Co., against Artic International, Inc., for copyright infringement, trademark infringement, Lanham Act violations, and unfair competition, in which defendant counterclaims for antitrust violations. On plaintiff's motions to file amended and supplemental complaint and to compel discovery, and defendant's motions to dismiss, for summary judgment, to strike plaintiff's amended motions for preliminary injunction, to strike superfluous material from amended complaint, and for sanctions. Plaintiff's motions granted; defendant's motions found moot or denied.

COPYRIGHTS**1. In general****Rights embraced in copyright**

Under 17 U.S.C. 401(c), certificate of registration constitutes prima facie evidence of validity of copyright and of facts stated in certificate.

2. Rights embraced in copyright

17 U.S.C. 106(2) and (4) give owner of copyright exclusive right to prepare derivative works based upon copyrighted work, and in case of audiovisual works, to perform copyrighted work publicly.

3. Matter copyrightable—In general

Plaintiff may have copyrighted shape of aliens in its electronic game, what they look like, and how the move, but it cannot copyright idea of setting aliens in outer space and having them swoop down on flagship.

4. In general

17 U.S.C. 102(a) requires that in order for copyright protection to exist, original works of authorship must be fixed in any tangible medium of expression; fixation requirement is satisfied if work can be perceived either directly or with aid of machine or other device; it makes no difference what form, manner, or medium of fixation may be, whether it is in words, numbers, notes, sounds, pictures, or any other graphic or symbolic indicia, whether embodied in physical object in written, printed, photographic, sculptural, punched, magnetic, or any other stable form, and whether it is capable of perception directly or by means of any machine or device now known or later developed; on other hand, definition of "fixation" would exclude from concept purely evanescent or transient reproductions such as those projected briefly on screen, shown electronically on television or other cathode ray tube, or captured momentarily in memory of computer.

5. Infringement — In general

Plaintiff does not necessarily have to show that defendant viewed particular tapes submitted to Copyright Office in order to state cause of action; it is work that cannot be copied or incorporated, and not specific tangible expression on file in Copyright Office; merely because work is fixed in tapes submitted to Copyright Office, it does not necessarily follow that tapes are works themselves; original work of authorship should not be confused with material objects in which work must be fixed.

6. In general

Framers of Copyright Act did not consider specific problems raised by advanced electronic games; Copyright Act rewards individuals for their unique creative efforts; it provides incentive for individuals to engage in artistic endeavors by forbidding any other person from copying their original expressions of ideas.

7. Infringement — In general

Rights embraced in copyright

17 U.S.C. 106(2) gives owner of copyright exclusive right to prepare derivative works from copyrighted work; thus, if latter work incorporates sufficient portions of pre-existing work, it infringes right to prepare derivative works; by forbidding third person from creating work based on pre-existing copyrighted work, author is assured that he will reap profits from his artistic contribution in accordance with policies of Copyright Act.

8. In general

Infringement — In general

Rights embraced in copyright

Copyright law is designed to reward creative and artistic endeavors; it gives author exclusive right to distribute copies of that work and make derivative works from original; if defendant's electronic game device is used solely to modify plaintiff's visual image, then defendant's device would only have value because of plaintiff's particular copyrighted audiovisual work, and defendant would reap benefits of plaintiff's artistic endeavors by selling its device; such conduct would be violative of 17 U.S.C. 106(2); if, on other hand, defendant's electronic game device is used on multitude of electronic games, defendant has made technological contribution that has value in itself, that is, it is not so much modification of plaintiff's specific audiovisual work as it is technological improvement of all audiovisual works of this type; in marketing such product, defendant would reap benefits of his own creativity and ingenuity, not plaintiff's; it would be anomalous to apply copyright laws to inhibit its distribution.

9. Infringement — Tests of

Selling staple article of commerce, such as typewriter, recorder, camera, or photocopying machine, technically contributes to any infringing use subsequently made of it, but this kind of "contribution," if deemed sufficient as basis for liability, would expand theory beyond precedent and arguably beyond judicial management.

10. Defenses — Unclean hands

Violation of antitrust laws is not defense to copyright infringement action; defense of unclean hands is recognized only rarely, when plaintiff's transgression is of serious proportions and relates directly to subject matter of infringement action.

TRADEMARKS

11 Infringement — In general

Pleading and practice in courts

Plaintiff whose theory is common law infringement has no duty to disclose, on its own motion, fact that its trademark application was rejected.

Donald L. Welsh, A. Sidney Katz, Eric C. Cohen, and Fitch, Even, Tabin, Flannery & Welsh, all of Chicago, Ill., for plaintiff.

Richard G. Kinney, and Kinney & Niblack, both of Chicago, Ill., for defendant.

DECKER, *District Judge*. Plaintiff Midway Mfg. Co. sells certain electronic games including Galaxian and Pac-Man. Defendant Artic International, Inc., sells and manufactures electronic components. Allegedly, Artic has recently begun to sell electronic devices that are intended to simulate Midway's Galaxian and Pac-Man games as well as devices that are designed to be inserted into Midway's Galaxian game to speed up and otherwise alter the play of the game (hereinafter speed-up kits).

Plaintiff filed this suit against Artic for copyright infringement, trademark infringement, violations of the Lanham Act and for various unfair competition violations under Illinois law. Defendant has counterclaimed, alleging, inter alia, violations of the antitrust laws. Currently pending are the following motions:

(1) Defendant's motions —

for partial summary judgment,

to dismiss the complaint,

to strike plaintiff's amended motion for a preliminary injunction,

to strike superfluous material from the amended complaint, and

two motions for sanctions.

(2) Plaintiff's motions —

for leave to file a second amended and supplemental complaint, and to compel discovery under Rule 37.

Plaintiff asserts that the Galaxian game is housed in a cabinet containing electronic circuitry. The circuitry in turn produces the visual images of the game on a television picture tube. The visual images that are presented on the screen appear in two modes. The first mode is the "attract" mode. It appears prior to the commencement of the game and visually summarizes the game. This mode consists of a fixed sequence of images that play in a "loop" of approximately one minute's duration.

The second mode is the "play" mode, which begins when a coin is deposited in the machine and the start button is pushed. During this mode, the images on the screen respond in some degree to the player's movement of the hand controls on the cabinet.

The object of the Galaxian game is to "destroy" a convoy of "aliens" which continually shifts from side to side on the screen. The aliens in the convoy are of a variety of ranks and colors. Throughout the game, aliens break off from the convoy and swoop down to "bomb" a "flagship" that is controlled by the player. The player's score is measured by the number and rank of aliens destroyed.

Allegedly, Midway has recently acquired rights to a game entitled Pac-Man. This is a maze game wherein a cartoon-like figure controlled by the player attempts to devour adversaries moving through the maze before the player controlled figure is destroyed by its opponents. Like Galaxian, Pac-Man has both an attract and play mode.

Plaintiff's Motion for Leave to File a Second Amended and Supplemental Complaint and Related Motions.

On October 31, 1980, plaintiff filed its complaint alleging that defendant had infringed the copyrights in the Galaxian game. On December 10, 1980, plaintiff, with leave of court,¹ filed an amended and supplemental complaint. This filing generated two motions on the part of the defendant (defendant's motion to strike plaintiff's motion for preliminary injunction. (1/5/81); and defendant's motion to strike superfluous material from amended * * * complaint (4/7/81).

The amended and supplemental complaint contained allegations concerning defendant's alleged infringement of the Pac-Man Game. The original complaint did not contain such allegations. Defendant answered the allegations of the amended complaint, including those relating to Pac-Man on December 30, 1980. Defendant never objected to the filing of the amended and supplemental complaint. Defendant now objects to the filing of the second amended complaint on several grounds.

In *Forman v. Davis*, 371 U.S. 178 (1962), the Supreme Court reiterated the philosophy of Rule 15 that amendments of the pleadings are to be freely granted, even after the original complaint has been dismissed. If the underlying facts relied upon by a plaintiff may be the proper subject of relief, he ought to be afforded an opportunity to test his claim on the merits. With these liberal principles in mind, the court must attempt to sort out the confused state of the pleadings.

There can be little doubt that plaintiff is entitled to file his second amended complaint. The only objection defendant has to the second amended complaint is that in the prayer for relief for Count I, it adds a

¹Defendant contends that the amended and supplemental complaint was filed without leave of the court. Such an assertion is simply untrue. On December 9, 1980, at motion call before this court with both plaintiff's and defendant's attorneys present, plaintiff's counsel informed the court that he intended to file an amended complaint on December 10, 1980. This court inquired how the amended complaint changed the cause of action. Plaintiff's counsel replied in part: "It * * * adds a count of copyright infringement of another copyright which has issued since the original complaint was filed * * * The court replied: "It is a supplement to that extent, I guess?" Plaintiff's counsel stated, "Yes, it is, your Honor." The court then ordered defendant twenty days from the 10th of December to file an answer to the amended and supplemental complaint. During that time, and indeed up to the present motion, defendant never once asserted that plaintiff failed to receive leave of court to file the amended and supplemental complaint.

specific reference to Pac-Man. The amended and supplemental complaint, paragraphs 12-23, made specific allegations, which defendant answered concerning Pac-Man. Thus, instead of relying on a general prayer for relief, plaintiffs now ask for specific relief concerning Pac-Man. The first amended and supplemental complaint gave defendant adequate notice that defendant's alleged infringement of the Pac-Man copyright is at issue in this case. Defendant still objects to the filing of this second amended and supplemental complaint on a number of grounds.

Defendant argues that plaintiff cannot amend his complaint because Rule 15(d) only allows the presentation of subsequent matter relating to the claim presented in the original pleading. 3 Moore's Federal Practice ¶ 15.16[1]. Defendant argues that since the original complaint and the amended complaint did not refer to Pac-Man, plaintiff cannot now amend his complaint to refer to Pac-Man.²

First, the court notes that defendant never attacked the adequacy of the first amended and supplemental complaint on this ground. Thus, the question is not the adequacy of the first amended and supplemental complaint, but rather whether plaintiff should be given leave to amend the amended and supplemental complaint.

Rule 15(d) only applies when a complaint seeks to add events which "happened since the date of the pleadings sought to be supplemented." F.R.Civ.P. 15(d). The pleading sought to be supplemented in this action was filed on December 10, 1980. None of the events alleged in the second amended and supplemental complaint occurred after December 10, 1980. Thus, Rule 15(a) and not 15(d) governs disposition of the question here.

Defendant argues that plaintiff has waited four months to seek leave to file this complaint and that the doctrine of laches prevents him from filing it now. Specifically, defendant claims that he thought this litigation was limited to Galaxian and to its prejudice only took discovery on the Galaxian issue.

Defendant's argument overlooks the fact that the first amended and supplemental complaint gave defendant notice of the Pac-Man claim. Defendant claims that it did not, since it omitted specific reference to Pac-Man in its prayer for relief. It is settled law in this Circuit, however, that if "the appellant has stated a cause of action for any relief, it is immaterial what he designates it or what he asked for in his prayer; the court will grant him the relief to which he is entitled under the facts pleaded." *Kansas City, St. L. & C. R. Co. v. Alton R. Co.*, 124 F.2d 780, 783 (7th Cir. 1941). And as one court in this district has stated, "A court of equity is not limited by the precise demands of the pleadings, especially where the

²Moreover, even if defendant had made this objection to the first amended and supplemental complaint, it is doubtful that it would have succeeded. Most of the cases cited by defendant were overruled by the 1963 amendment to F.R.Civ.P. 15(d). See 3, Moore's Federal Practice ¶ 15.16 (2) and (3).

pleadings contain prayers for such other relief as this Court may deem just and appropriate." *Chicago & Eastern Illinois Railroad Co. v. Illinois Central Railroad Co.*, 261 F.Supp. 289, 307 (N.D.Ill. 1966). Defendant should have been aware since December 10, 1980, that Pac-Man was at issue in this case. Consequently, it can claim no prejudice or lack of diligence on the part of plaintiff's counsel. Consequently, plaintiff's motion for leave to file a second amended and supplemental complaint is granted.

This decision largely resolves three other motions. First, defendant moved to strike all reference in the amended and supplemental complaint to Pac-Man because the complaint made no reference to Pac-Man in the prayer for relief. Because the court has granted plaintiff leave to amend that complaint, that motion is now moot.

Additionally, defendant's motion to strike the plaintiff's second motion for a preliminary injunction must be denied. On December 8, 1980, plaintiff served and noticed up a motion for a preliminary injunction. On December 9, 1980, the court set a briefing schedule on that motion. On December 10, 1980, defendant was served with an amended and supplemental complaint. The court and defendant had notice that an amended complaint was going to be filed. On December 23, without noticing up the motion, plaintiff filed an amended motion for preliminary injunction for the purpose of conforming the relief sought in the preliminary injunction to the facts pleaded in the amended complaint. Along with the amended motion for preliminary injunction, plaintiff filed a memorandum in support of his motion and several documents in accordance with the briefing schedule.³

Defendant contends that because the amended motion for preliminary injunction was not noticed up, it should be stricken. This argument brings new meaning to the word technicality. While it may be true that it would have been the safer course of action to present the amended motion in court with proper notice, there was no reason, other than avoiding the present dispute for doing so. The court had given plaintiff leave to file a memorandum in support of its motion for preliminary injunction to be due on December 23. Since the amended motion was being filed pursuant to the briefing schedule and was not presented in open court, there was no reason to notice up the motion. Moreover, the amended motion only differs from the original motion in that it seeks broader relief. No purpose would be served, under these circumstances, in striking this motion only to have plaintiff re-present it in open court tomorrow.

Defendant's second argument for striking the second motion for a preliminary injunction is that it seeks broader relief than the amended and supplemental complaint. While this argument lacks merit in light of the

³While some of these documents were evidently incomplete, plaintiff later furnished defendant with a complete set of the documents.

principles stated in *Kansas City*, *supra*, and *Chicago & Eastern Illinois Railroad*, *supra*, the filing of the second amended and supplemental complaint now moots the argument. The prayers for relief in the complaint and the preliminary injunction are now identical. Consequently, defendant's motion to strike plaintiff's amended motion for a preliminary injunction is denied. Defendant is ordered to respond to plaintiff's motion for a preliminary injunction in seven days, plaintiff is given seven days thereafter to reply.

Allowing plaintiff to file a second amended and supplemental complaint also resolves many of the discovery disputes in this case. Plaintiff has moved to compel discovery pursuant to Rule 37. Defendant objected to discovery of documents related to Pac-Man on the grounds that they are not relevant. In light of the second amended and supplemental complaint, this objection must be overruled. Documents relating to Pac-Man are indeed relevant to this litigation and must be produced.

Unfortunately, other discovery disputes still remain. Plaintiff has made the following discovery requests:

13. All communications with customers or prospective customers relating to the sale or offering for sale of (a) memory boards which are offered for sale for the purpose of speeding up a Galaxian video game, (b) printed circuit board, otherwise known as "mother boards" which may be used to construct either a GALAXIAN or PAC-MAN video game.

17. Copies of all sales invoices or other records of the sales of (a) memory boards which are advertised to speed up a GALAXIAN video game, or (b) printed circuit boards, otherwise known as "mother boards," construct GALAXIAN or PAC-MAN video game, the sales invoices or other records including but not limited to the sale made at the AMOA Show in Chicago, Illinois on October 31, November 1, and November 2, 1980.

There can be no doubt that these documents are relevant. Aside from being relevant to the question of damages, the records will aid in identifying which of defendant's customers would be likely to have knowledge of the representations which defendant allegedly made in the series of its products. These representations are relevant to plaintiff's claim that defendant has induced others to infringe plaintiff's rights in Galaxian and Pac-Man video games. Consequently, defendant is ordered to produce these documents.

There remains one final discovery dispute. Plaintiff has moved to compel the defendant to produce previously marked physical deposition exhibits at the depositions of defendant and its employees which were scheduled for May 12, 1981. These deposition exhibits were marked for identification in a deposition taken on December 18 and 19, 1981. The exhibits are located in defendant's counsel's office in Chicago. The deposition is to take place in New Jersey. Plaintiff has offered and continues to offer to pay for the transportation of these exhibits to and from the

depositions. Defendant has offered to allow plaintiff to photograph the exhibits, but plaintiff contends that such photographs would be insufficient for use at the depositions.

Defendant opposes the transportation of goods on two grounds. First, defendant argues that it has already produced the exhibits once and that Rule 34 does not require it to produce the same exhibit twice. Defendant cites no authority for such an interpretation of the Rule. These exhibits will be necessary for use in the depositions. Pictures of complicated electronic equipment will not suffice for explanatory purposes. That the same exhibits are required at several depositions does not alter this result.

Defendant also argues that the goods are very fragile and that shipment may cause damage to them. The goods are worth approximately \$3,000-\$4,000. This problem is easily solved if plaintiff agrees to insure the goods for their worth. If plaintiff agrees to insure the goods for their transportation to and from the depositions, defendant must produce them. If plaintiff refuses to insure the goods or promise to pay for any damage caused by their transportation, there is no obligation to produce the exhibits. As well, plaintiff will bear the cost of transportation.

Defendant's Motion for Partial Summary Judgment

This motion has generated a total of five lengthy briefs. The theory of this motion appears to shift every time defendant files another brief. When the court must apply legal principles to new areas of technology, it always appreciates briefs which clarify the issues in dispute. Unfortunately, these briefs only obscure the issues in this case. Nevertheless, the court will attempt to deal with the arguments presented in this motion.

Defendant has asked this court to find that "the manufacture, sale and distribution of its speed up kit * * * is not an infringement of any valid copyright of the plaintiff and is not an infringement of either Copyright Registration Numbers PA 59-977 or PA 68-323." Thus, the motion seeks, in the context of this case, very limited relief.

[1] Plaintiff's copyright registrations are directed to the "play mode" and "attract mode" of the audio visual performance of plaintiff's "Galaxian Game." Under 17 U.S.C. § 401(c), the certificate of a registration constitutes prima facie evidence of the validity of the copyright and of the facts stated in the certificate.

[2] Plaintiff asserts that the sale by defendant of its speed up kits violates two of its exclusive rights under 17 U.S.C. § 106(2) and (4). Specifically, § 106(2) and (4) give the owner of a copyright the exclusive right "to prepare derivative works based upon the copyrighted work;" and "in the case of * * * audiovisual works, to perform the copyrighted work publicly." A derivative work is defined under § 101 as "a work based upon one or more pre-existing works, such as * * * any * * * form in which a

work may be recast, transformed or adapted. A work consisting of * * * elaborations, or other modifications, which, as a whole, represent an original work of authorship, is a derivative work.”

Plaintiff's theory of infringement is apparently as follows: Plaintiff has designed a certain game which consists of certain audio-visual images. Plaintiff has copyrighted these audio-visual images. Defendant sells a speed up kit which, when attached to plaintiff's machine by a third party, modifies those audio-visual images. The new audio-visual images, however, are similar to and incorporate the pre-existing copyrighted audio-visual work. Thus, plaintiff claims that by marketing the speed up kit, defendant has induced others to *prepare* derivative works of plaintiff's copyrighted work by using speed up kits, and has also induced others to *perform* distortions of plaintiff's Galaxian game by using the speed up kits. Several courts have held, contrary to defendant's assertions, that there does exist a cause of action for contributory infringement. See, *Gershwin Publishing Corp. v. Columbia Artists Management, Inc.*, 433 F.2d 1159, 1162, 170 USPQ 182, 184-185 (2d Cir. 1971), *Universal Studios, Inc. v. Sony Corp.*, 480 F. Supp. 429, 203 USPQ 656 (C.D.Cal.1979).

Defendant's arguments for partial summary judgment can be grouped into three major categories. First, defendant notes that when plaintiff applied for its copyrights, it submitted two video tapes of Galaxian being played. Defendant contends that plaintiff's copyright should be limited in scope to those two videotapes, and that, whatever else it may have done, defendant has not copied or induced others to copy these tapes. Defendant's second argument is that persons who use the disputed device are not “copying” Galaxian, and, as a result, it cannot be a “contributory” infringer. Finally defendant argues that the defense of unclean hands bars plaintiff from recovering on its copyright claims. Each argument is considered in turn.

1. Scope of the Copyright

There is a great deal of debate in the briefs as to what the copyright covers. When plaintiff applied for its copyright, it submitted two video tapes of the game Galaxian being played. As previously noted, defendant contends that plaintiff's copyright is limited to these movies. Plaintiff has suggested that the copyright extends to the game itself. Finally, it has been urged, as a fallback position by both parties, that the copyright extends only to the audio-visual images that appear when playing the game. The question of what the copyright covers turns on disputed questions of material fact that must be resolved at trial. For instance, the parties hotly dispute the significance of the video tapes submitted to the Copyright Office. While defendant contends that a video tape was submitted as a *copy* of the work, plaintiff contends that the video tapes were only “identifying materials” and not a copy. See, 37 C.F.R. §§ 202.19(c)(6), 202.20(c)(2)(ix)

and 202.21(b). Moreover, the court does not presently have before it the video tape and the game. Hence, differences between the two are impossible to comprehend on the present record.

[3] Defendant asserts, however, that plaintiff is trying to use the copyright to cover the game itself and that as a matter of law, the copyright cannot cover the game. This contention must be rejected. Professor Nimmer has noted:

"It is true that no copyright may be obtained in the system or manner of playing a game or in engaging in any other sporting or like activity. However, some limited copyright protection is nevertheless available in connection with games. It would seem that a relatively minimal artistic expression, if original, would render copyrightable labels for games, as well as the pattern or design of game boards. * * * "

1 Nimmer on Copyrights § 2.18[H][3]. Here, plaintiff may well have copyrighted something akin to a "game board." That this "game board" is manifested on a television screen instead of cardboard is of no consequence. Put another way, plaintiff has apparently attempted to copyright the audio and visual expressions of its game. Thus, for example, it may have copyrighted the shape of the aliens, what they look like and how they move. Certain other aspects of the game, of course, cannot be copyrighted. For instance, plaintiff cannot copyright the idea of setting aliens in outer space and having them swoop down on a flag ship. Before ruling on the scope of the copyright, however, the court must more fully understand, *inter alia*, the events that transpired in the Copyright Office.

[4] While defendant's next argument regarding the scope of the copyright is obscure, the contention deals with the requirement of § 102(a) that in order for copyright protection to exist, the "original works of authorship [must be] fixed in any tangible medium of expression * * * "4 Apparently, defendant argues that "Galaxian" cannot be fixed because the movements of the images on the screen are responsive to the movements of the player. Thus, defendant argues that the only time the work was fixed was when plaintiff submitted the two video tapes of the game being played to the Copyright Office. Since plaintiff admits that defendant never copied these movies, the argument goes, defendant cannot be guilty of copyright infringement.

The fixation requirement will be satisfied if the work can be perceived "either directly or with the aid of a machine or other device." See, 1 Nimmer on Copyrights § 2.03[B]. As the House Report states:

"[I]t makes no difference what the form, manner or medium of fixation may be—whether it is in words, numbers, notes, sounds, pictures, or any other graphic or symbolic indicia, whether embodied in a physical object in written, printed,

⁴⁷ U.S.C. § 101 provides: "A work is 'fixed' in a tangible medium of expression when its embodiment in a copy * * * by or under authority of the author is sufficiently permanent or stable to permit it to be perceived, reproduced or otherwise communicated for a period of more than transitory duration."

photographic, sculptural, punched, magnetic, or any other stable form, and whether it is capable of perception directly or by means of any machine or device 'now known or later developed' * * * On the other hand, the definition of 'fixation' would exclude from the concept purely evanescent or transient reproductions such as those projected briefly on a screen, shown electronically on a television or other cathode ray tube, or captured momentarily in the memory of a computer."

The House Report on the Copyright Act of 1976, 94th Cong., 2d Sess p. 52-53.

Application of this definition to the present facts is dependent upon the particular technology involved in producing the "Galaxian" images. The court has insufficient competent evidence of the technology involved to make the necessary determination. One commentator has suggested that fixation can occur in a television. 1 Nimmer on Copyrights, § 2.03 fn. 30. This would lend support to plaintiff's contention that the work was fixed in the game itself the first time the game produced the copyrighted audio-visual work. Conversely, if the technology of the game is such that it merely produces "transient reproductions" shown electronically on a cathode ray tube, no fixation could occur. The question of whether fixation occurred and in what tangible medium of expression, if any, the work was fixed is a question of material fact that cannot be resolved in this motion for summary judgment.

It should be noted, that the work was, at a minimum, fixed in the tapes submitted to the Copyright Office. If defendant is inducing third parties to create a derivative work from the copyrighted work in these tapes, a cause of action may be stated.

[5] Defendant's further argument—that it did not copy these tapes and consequently cannot be an infringer—cannot be sustained on this record. First, as noted, fixation may have occurred the first time the game was played; that is previous to and independent of the deposit of the video tapes. Second, even if fixation occurred with the deposit, defendant may have viewed "copies" of the tapes of Galaxian, and induced others to prepare derivative works from those copies. Plaintiff does not necessarily have to show that defendant viewed the particular tapes submitted to the Copyright Office in order to state a cause of action. It is the work that cannot be copied or incorporated and not the specific tangible expression on file in the Copyright Office.⁵ In sum, the question of fixation and the scope of the copyright present questions of material fact, and summary judgment on this theory would be inappropriate.

⁵It should be emphasized that merely because the work is fixed in the tapes submitted to the Copyright Office, it does not necessarily follow that the tapes are the works themselves. The original work of authorship should not be confused with the material objects in which the work must be fixed. See, 1 Nimmer on Copyrights § 2.03.

2. *Lack of Copying or Inducement*

Defendant argues that it has not copied plaintiff's work or induced others to copy that work. Rather, defendant contends that it produces a device which consumers desire and whether the consumers put that device to a lawful or unlawful use is not defendant's concern. Plaintiff counters that an infringement arises regardless of whether defendant itself has copied the protected work. That is, it argues that the sale of the speed up kits enables others to make and perform unauthorized alterations of plaintiff's copyrighted material.

[6] The court realizes that it is not dealing with an ordinary copyright question. It seems clear that the framers of the Copyright Act did not consider the specific problems raised by advanced electronic games. Nevertheless, the Act reflects certain policies and principles which control the question at hand. The Supreme Court summarized the governing principles of the Act as follows:

"The copyright law, like the patent statutes, makes reward to the owner a secondary consideration * * * However, it is intended definitely to grant valuable, enforceable rights to authors, publishers, etc., without burdensome requirements; to afford greater encouragement to the production of literary [or artistic] works of lasting benefit to the world * * * "The economic philosophy behind the clause empowering Congress to grant * * * copyrights is the conviction that encouragement of individual effort by personal gain is the best way to advance public welfare through the talents of authors and inventors in 'Science and useful Arts.' "

Mazer v. Stein, 347 U.S. 201, 219, 100 USPQ 325, 333 (1954). Thus, the Copyright Act rewards individuals for their unique creative efforts. It provides an incentive for individuals to engage in artistic endeavors by forbidding any other person from copying their original expressions of ideas.

[7] This policy underscores the reasons why Congress in § 106(2) gives the owner of a copyright the exclusive right to prepare derivative works from the copyrighted work. Professor Nimmer has explained the substantive content of § 106(2) as follows:

"Unless sufficient of the pre-existing work is contained in the latter work so as to constitute the latter an infringement of the former, the latter by definition is not a derivative work. Therefore if the latter work does not incorporate sufficient of the pre-existing work as to constitute an infringement of either the reproduction right, or the performance right, then it likewise will not infringe the right to make derivative works because no derivative work will have resulted."

2 Nimmer on Copyright § 8.09[A]. Thus, if the latter work does incorporate sufficient portions of the pre-existing work it has infringed the right to prepare derivative works. By forbidding a third person from creating a work based on a pre-existing copyrighted work, the author is assured that he will reap the profits from his artistic contribution in accordance with the policies of the Act. Plaintiff argues that, when *Galaxian* is played with

the speed up kit, visual images are reproduced in a manner substantially similar to the visual images originally copyrighted. The resulting visual image is therefore said to incorporate the images copyrighted by plaintiff, creating an unauthorized derivative work.

The court believes that the success of this theory depends on the resolution of two key factual questions. The first factual question concerns the scope of the copyright. It is, of course, impossible to tell whether defendant has induced others to prepare a derivative work, when the court is uncertain as to what original work was copyrighted. As noted, the scope of the copyright is in dispute between the parties. Second, there is also the factual question of whether the speed up kits are designed and used solely to modify the visual images of plaintiff's copyrighted game or whether the device can be used in a variety of electronic games. The distinction is crucial in relation to the policies underlying the Copyright Act.

[8] As noted, the copyright law is designed to reward creative and artistic endeavors. It gives the author the exclusive right to distribute copies of that work and make derivative works from the original. If defendant's device is designated and used solely to modify plaintiff's visual image, then plainly defendant's device would only have value because of plaintiff's particular copyrighted audio-visual work. Defendant, thus, by selling its device reaps the benefits of plaintiff's artistic endeavor. Such conduct would be violative of § 106(2).

If, on the other hand, defendant's device is used on a multitude of electronic games, defendant has made a technological contribution which has value in itself. That is, it is not so much a modification of plaintiff's specific audio-visual work, as it is a technological improvement of all audio-visual works of this type. In marketing such a product, defendant would reap the benefits of his own creativity and ingenuity, not plaintiff's. Indeed, far from being harmed by such a device, persons, who, like plaintiff, work in the enhanced medium are the principal beneficiaries of such inventions. Thus, far from inhibiting creativity in a particular medium, technological breakthroughs are more likely to engender it. Accordingly, if defendant's device is one which enhances all video games, it would be anomalous to apply the copyright laws to inhibit its distribution. An example may clarify the point.

Suppose an ingenious engineer invents a device which can be attached to a motion picture projector which will modify movie actors' movements, making them quicker or more graceful, for instance. Several owners of copyrights in various movies sue the inventor, claiming he is inducing preparation of a derivative work. No infringement should be found to occur, for the inventor has merely created a device which enhances the pleasure given by movies generally. If such a copyright claim were upheld, common technological advances like technicolor or panavision would become illegal. If, on the other hand, the device is designed and can only

be used to modify one movie which is copyrighted, a copyright violation does occur; for on these facts, the ingenious engineer is no longer enhancing the medium of cinema, but is reaping the benefits from the artistic endeavors of another author.⁶

[9] A second reason why technological breakthroughs of general utility do not constitute copyright infringements was proffered in the case of *Universal Studios v. Sony Corp. of America*, 480 F.Supp. 429, 459-461, 203 USPQ 656, 686-689 (C.D.Cal. 1979). There, plaintiff, a producer of copyrighted motion pictures, sued defendant Sony on the theory that, *inter alia*, the manufacture, advertising, demonstration and sale of the Betamax (a home video recording system) induces or materially contributes to the unauthorized recording of copyrighted motion pictures. The court found that there was no contributory infringement because, *inter alia*, all defendant did was manufacture, distribute, advertise and sell a product of a variety of uses, some of them lawful, some, allegedly infringing. 480 F.Supp. at 461, 203 USPQ at 688-689. As the court noted:

"Selling a staple article of commerce—e.g., a typewriter, a recorder, a camera, a photocopying machine—technically contributes to any infringing use subsequently made thereof, but this kind of 'contribution,' if deemed sufficient as a basis for liability, would expand the theory beyond precedent and arguably beyond judicial management."

480 F.Supp. at 461, 203 USPQ at 688, See, also, *Fortnightly Corp. v. United Artists Television, Inc.*, 392 U.S. 390 (1968). Because the record is in conflict as to whether defendant's speed up kit can be and is used in other ways than to prepare derivative works from plaintiff's copyrighted audio-visual work, this theory summary judgment must be rejected.

3. *Unclean Hands*

Defendant also contends that plaintiff has "exhausted its rights" in the game. That is, defendant claims by bringing this suit, plaintiff is trying to use its copyright to create a monopoly in the replacement part market, and that this use of the copyright bars this suit to enforce it. Defendant, however, has cited no trademark cases to support this proposition. Rather, it relies solely on patent law cases. Even if patent law were applicable, there remains a factual question as to whether defendant's speed up kit is a replacement part and whether defendant is in competition with plaintiff. Plaintiff contends that the speed up kits are not replacement parts and that defendant is not in competition with plaintiff because plaintiff does not sell such kits.

[10] Moreover, defendant's assertion is in reality a claim that plaintiff is attempting to monopolize the replacement market in violation of the anti-

⁶This discussion assumes, of course, that all the elements for contributory infringement are satisfied.

trust laws. The general view is that a violation of the antitrust laws is not a defense to a copyright infringement action. See, 3 Nimmer on Copyrights § 13.09[A] and cases cited therein. Plaintiff's defense of "unclean hands" is recognized "only rarely, when the plaintiff's transgression is of serious proportions and relates directly to the subject matter of the infringement action." 3 Nimmer on Copyrights § 13.09[B] p. 13-112. The question presented here, whether plaintiff is attempting to monopolize the replacement part market, does not relate directly to the claim of copyright infringement. Consequently, for all of these reasons, this theory cannot form the basis for granting summary judgment in defendant's favor.

Defendant's Motion to Dismiss

While this motion is brought under F.R.Civ.P. 12(b)(6), it must be treated as a motion for summary judgment due to the supporting evidentiary documents and affidavits attached. F.R.Civ.P. 12(b). Thus, the court is presented with defendant's second motion for summary judgment.

Defendant contends that plaintiff does not own the trademarks and copyrights in question. It asserts that Namco, Ltd., is the true owner of the copyrights in question. Consequently, it contends that the complaint must be dismissed. Plaintiff has submitted the affidavit of one of its vice-presidents, certificates of registration and an assignment of copyrights to show its ownership of the Galaxian and Pac-Man copyrights. As previously noted, under § 410 of the Copyrights Act, Midway's certificates of registration constitute prima facie evidence of the validity of the copyrights and of the facts stated in the certificates. The certificate states that Namco Ltd. assigned "the entire right, title and interest in statutory copyright for the Galaxian and Pac-Man games to Midway." Thus, at best, defendant's contentions raise an issue of material fact as to who owns the copyrights in question. Thus, summary judgment on this theory is inappropriate.

Artic also argues that Namco continues to use the trademark in question as its own and consequently the trademark infringement claims must be dismissed. Plaintiff, however, has introduced evidence that Namco assigned these trademarks to plaintiff in May of 1980. As well, Midway contends it acquired common law trademark rights in Galaxian by virtue of extensive use of the mark in interstate commerce. It has submitted competent evidence to support this contention. Once again, at best, defendant has raised a question of material fact as to the ownership of the trademarks and summary judgment is inappropriate.

Defendant, in its reply brief on this motion, requests this court to join Namco as an indispensable party. While the court will entertain an appropriate motion to join an indispensable party, it will not entertain this one. Defendant should not make such a motion in a reply brief because it

fails to conform to the local rules and more importantly denies plaintiff an opportunity to respond.

First Motion for Sanctions

Defendant claims that plaintiff is guilty of misconduct before this court. Specifically, defendant claims that plaintiff failed to disclose an adverse prior decision involving these copyrights which should be given res judicata effect by this court. It requests this court to dismiss the lawsuit as the result of such alleged misconduct.

The motion and these factual assertions have no merit. The prior case in question is *Midway Mfg. Co. v. Universal Co., Ltd.*, (C.D.Cal.) In that case, Midway sued Universal for copyright infringement. The Customs Service had withheld delivery of 45 of Universal's games on the grounds that they might be piratical copies of Midway's game Galaxian. Universal moved for a preliminary injunction to prohibit Midway from making representations to the Customs Service which might impede entry of Universal's games into this country. The court denied the preliminary injunction, holding that Midway's right to proceed before the Customs Service is protected by the First Amendment.

As part of the interlocutory judgment the court found that Universal had raised serious questions on the merits of Midway's copyright claims which are a fair ground for litigation. As well, it stated, "Many of the elements of Galaxian for which plaintiff [Midway] seeks copyright protection are general principles and therefore unprotectible." The court went on to note that there were several protectible aspects of Galaxian. The case was subsequently settled and a consent decree was entered.

The interlocutory judgment in that case cannot have any res judicata effect in this proceeding. A finding of a court on a preliminary injunction is interlocutory and does "not amount to an adjudication of the ultimate rights in controversy, is not conclusive on the Court on a subsequent hearing, and concludes no rights of the parties." *Hunter v. Atchison*, T. S.F. Ry. Co., 188 F.2d 294, 298 (7th Cir. 1951), cert. denied, 347 U.S. 819.

Moreover, the court notes that the finding that Midway sought protection for many elements of the Galaxian game that are not copyrightable is dicta in view of the court's disposition of the case on First Amendment grounds. Obviously, dicta cannot be given res judicata or collateral estoppel effect.

As well, the issue presented in the *Universal Co. Ltd.* case is different from the issue involved here. Finally, this court has already reached a similar conclusion regarding the scope of plaintiff's copyright in this opinion. See p. 5-6. In sum, that judgment cannot be given res judicata effect, and even if it were given res judicata effect, it would have no effect on the court's disposition of these motions.

Defendant contends that even if the judgement has no res judicata effect, plaintiff has violated its duty of candor to this court by failing to disclose that it was involved in prior litigation on these copyrights as required by Local Rule 2.31B. Local Rule 2.31B provides in part: "At the time of filing any action, counsel shall indicate on the designation sheet any previously filed case to which the case being filed is related." The purpose of this requirement is to allow one judge in this district to hear all cases pending in the district which are related to each other. In sum, the local rules require counsel to indicate whether any previously filed case in this district is related to the current case. Moreover, under the definition of "relatedness" in the local rules, defendant has failed to show that the two cases are related.

Thus, the court finds no violation of the local rules in plaintiff's conduct. Moreover, even if the local rules were violated, the court has found no authority to dismiss a lawsuit on that basis. Consequently, defendant's first motion for sanctions is denied.

Second Motion for Sanctions

Defendant has made a second motion for sanctions. It again claims that plaintiff violated its duty of candor to this court, this time by failing to disclose that it had a pending application to register its alleged trademark Galaxian in the U.S. Patent and Trademark Office. Moreover, defendant claims plaintiff failed to disclose the fact that the Trademark Office issued an Official Action Letter rejecting the trademark. Despite this rejection, plaintiff's motion for a preliminary injunction preventing defendant from infringing plaintiff's trademark is currently before this court. Defendant also stated that he had "requested documents from plaintiff" and plaintiff did not produce the trademark application or rejection document.

It must be noted that Midway's claim of trademark infringement is based solely on its common law rights derived from extensive use of the Galaxian trademark in commerce and not on any federal registration. Moreover, the reason for the rejection of the trademark application was that Bally, Midway's parent corporation, held a trademark entitled "Galaxy Ranger" and consequently, confusion might result if Midway's Galaxian trademark was issued. The court has evidence indicating that Bally is transferring its trademark to Midway and that this will remove the obstacle to obtaining a Galaxian trademark.

[11] While it may well be that the parties to a lawsuit have a duty of candor before this court, plaintiff has not violated any duty that may exist. Since plaintiff's theory is common law infringement, it had no duty to disclose, on its own motion, the fact that its trademark application had been rejected. That fact, given the reasons for the rejection, is irrelevant to plaintiff's claim in the preliminary injunction. This is not, as defendant

suggests, an ex parte proceeding. The overwhelming number of motions defendant has filed is proof of that. If information adverse to plaintiff's claim exists, it is defendant's duty to discover such information and show its relevance to these proceedings. Plaintiff's counsel has not misled this court in any manner. This court is aware of no decision that imposes a duty on a party to proffer to the court on its own motion, information that may prove detrimental to that party's claim. Here, the information withheld may not even be relevant to plaintiff's claims.

Defendant claims that plaintiff failed to disclose this information in response to its discovery requests. Defendant's discovery requests, however, were phrased very broadly and while plaintiff complied with some of them, it objected to others. Defendant has failed to cite the specific discovery request it feels was not complied with. If defendant is unhappy with plaintiff's responses, it should hold a conference pursuant to the local rules with plaintiff's counsel. If the disagreements still cannot be worked out, defendant may move to compel discovery under Rule 37. Here, defendant has not stated which discovery request was not complied with, the parties have not held a 12(d) conference, and defendant has not made a motion to compel discovery. The court must admonish defendant's counsel that its discovery requests must be substantially more specific than the request made in this motion. A request to "turn over all documents relevant to the issues in this litigation" does not conform with the requirements of the Rules of Civil Procedure.

While the court hesitates to make a lengthy opinion any longer, one final statement is needed. The length of the briefs in this case, the lack of substance contained in some of those briefs and the excessive number of motions in this case cannot be justified. While the court does not wish to deter either party from filing legitimate motions, frivolous motions will be denied summarily. In addition, attorneys' fees and costs will be imposed. As well, the court orders full cooperation on the part of both parties in the discovery process. Failure to fully cooperate in discovery and to respond to legitimate discovery requests will result in severe sanctions.

For the reasons stated above, plaintiff's motion for leave to file a second amended and supplemental complaint is GRANTED; plaintiff's motion to compel discovery under Rule 37 is GRANTED; plaintiff's motion to compel defendant to produce previously marked physical deposition exhibits at the depositions of defendant and its employees is GRANTED, provided that plaintiff pay the costs of transportation and insurance; defendant's motion to strike plaintiff's amended motion for a preliminary injunction is DENIED; defendant's motion to strike superfluous material from the amended and supplemental complaint is moot; defendant's motion for partial summary judgement is DENIED; defendant's motion to dismiss the complaint is DENIED; and defendant's motions for sanctions are DENIED.

MIDWAY MFG. CO., an Illinois corporation, Plaintiff, v. Dale **DIRKSCHNEIDER** and Harold Peterson, individually and d/b/a A-1 Machines, a Nebraska proprietorship; Gerrit Kraayenbrink, individually and d/b/a Soo Valley Dist. Co; and Venture Line, Inc., an Arizona corporation, Defendants

Civ. No. 81-0-243

(United States District Court, D. Nebraska—July 15, 1981)

543 F.Supp. 466. 214 USPQ 417

[See also 215 USPQ 332, and *infra* (D. Neb., July 15, 1981); 215 USPQ 336, and *infra* (D. Neb., July 15, 1981); 571 F.Supp. 282, 223 USPQ 83, 47 C.O. Bull.____ (D. Neb., Sept. 1, 1983)]

Manufacturer of coin-operated electronic video games brought action charging defendants, which manufactured, distributed and sold almost identical games, with infringing plaintiff's copyrights, violating Lanham Act and violating Nebraska Deceptive Trade Practices Act. The District Court, Urbom, Chief Judge, held that: (1) plaintiffs games were copyrightable as audiovisual works; (2) the works were fixed in the printed circuit boards; (3) plaintiff was not monopolizing an idea; (4) plaintiff had complied with statutory formalities of copyright registration and established entitlement to preliminary injunction; (5) for Lanham Act purposes, shapes and coloring of characters in plaintiff's games were non-functional; (6) plaintiff established probable success in proving that the nonfunctional design features had acquired secondary meanings; and (7) plaintiff established that defendants' use of its game characters was likely to cause confusion in mind of the average consumer.

Preliminary injunction issued.

1. Copyrights and Intellectual Property

To prevail on claim of infringement of copyrights on coin-operated electronic video games the plaintiff was required to prove that it was owner of a valid copyright and that defendants performed and distributed games copied from plaintiff's audiovisual works. 17 U.S.C.A. § 411(a).

2. Copyrights and Intellectual Property

Where plaintiff offered its certificates of copyright registration and registrations were obtained within five years of first publication, the plaintiff had made a prima facie showing that its audiovisual works were copyrightable subject matter, that the works were original, that statutory formalities of registration had been satisfied, and that plaintiff was owner of copyrights and that showing placed on defendant, alleged infringer, burden of coming forward with evidence rebutting plaintiff's claim to ownership of valid copyrights. 17 U.S.C.A. §§ 410(c), 411(a).

3. Copyrights and Intellectual Property

In determining copyrightability, a distinction exists between the work which is the subject of copyright protection and the tangible medium in which the work is fixed, requiring a two-step analysis to determine copyrightability: first, the court must determine whether plaintiff's work falls within one of the statutorily enumerated copyrightable subject matters and, second, the court must determine whether the work is fixed in a tangible medium of expression. 17 U.S.C.A. §§ 101, 102(a).

4. Copyrights and Intellectual Property

Coin-operated electronic video games were copyrightable subject matter as "audiovisual works." 17 U.S.C.A. § 102(a)(6).

See publication Words and Phrases for other judicial construction and definitions.

5. Copyrights and Intellectual Property

For copyright purposes, plaintiff's audiovisual works, i.e., coin-operated electronic video games, were fixed in the printed circuit boards and those boards were tangible objects from which the works could be perceived for a period of time more than transitory and fact that the audiovisual works could not be viewed without a machine did not mean that they were not "fixed." 17 U.S.C.A. §§ 101, 102(a).

See publication Words and Phrases for other judicial constructions and definitions.

6. Copyrights and Intellectual Property

Under the Copyright Act, a copyright holder may not monopolize an idea, but is limited to protecting his expression of an idea. 17 U.S.C.A. § 102(b).

7. Copyrights and Intellectual Property

Copyrights on coin-operated electronic video games were not invalid as embodying merely an idea as copyrights covered holder's audiovisual expression of various game ideas, which expressions included distinctive color and design of spaceships and other players as well as sounds accompanying playing of the games and such expressions of game ideas are an appropriate subject of copyright protection. 17 U.S.C.A. § 102(b).

8. Copyrights and Intellectual Property

Although defendants contended that videotapes of copyrighted coin-operated electronic video games were not copies of the works as first published in Japan, defendants had failed to prove noncompliance with requirement that in case of a work first published outside the United States there be submitted one copy of the works as so published where defendants offered no evidence that the games which were videotaped were not the same as those first published in Japan, although videotapes were made in the United States. 17 U.S.C.A. § 408(b)(3).

9. Copyrights and Intellectual Property

Copyright owner's failure to obtain copyright registrations on the computer programs underlying its audiovisual works, i.e., coin-operated electronic video games, did not preclude plaintiff from suing to prevent infringement of the copyrighted audiovisual works. 17 U.S.C.A. § 411(a).

10. Copyrights and Intellectual Property

Copyright registration is not prima facie evidence that the notice requirement has been satisfied and, thus, copyright owner, charging infringement, had burden of coming forward with evidence that proper notice had been placed on all publicly distributed copies, although copyright registration is prima facie evidence that copies published prior to registration had appropriate copyright notice. 17 U.S.C.A. §§ 401(a), 411(a).

11. Copyrights and Intellectual Property

Although proposed regulations that for works embodied in printed circuit boards the copyright notice requirement is satisfied by including notice within visual display of the work or by affixing notice to terminal where the work is displayed were not binding on the court, they suggested a persuasive interpretation of statutory notice requirement. 17 U.S.C.A. § 401(c); Copyright Rules and Regulations, § 201.20(g)(1, 3) 17 U.S.C.A. foll. § 702.

12. Copyrights and Intellectual Property

Requirement of affixing of notice of copyright of coin-operated electronic video games was satisfied where two games had copyright notices affixed to their cabinets near their viewing screens and two games had copyright notices projected on their cathode ray tubes, notwithstanding any failure to place notices on the games' printed circuit boards, i.e., the medium in which the works were fixed. 17 U.S.C.A. § 401(c); Copyright Rules and Regulations, § 201.20(g)(1, 3), 17 U.S.C.A. foll. § 702.

13. Copyrights and Intellectual Property

To prevail on copying requirement of copyright infringement action, the plaintiff, which held copyrights for coin-operated electronic video games, was required to prove that defendants' games were copies of plaintiff's games, i.e., that the allegedly infringing games did not have an origin independent of the copyrighted works, and, second, that defendants' conduct infringed one of plaintiff's rights enumerated in the Copyright Act. 17 U.S.C.A. § 106(3, 4).

14. Copyrights and Intellectual Property

If similarity between copyrighted and infringing works is so striking that the possibility of independent creation of the latter is precluded, a court may find that copying occurred without direct proof of access to the copyrighted work. 17 U.S.C.A. § 411(a).

15. Copyrights and Intellectual Property

Where defendants' coin-operated electronic video games and plaintiff's copyrighted games were virtually identical, for infringement purposes copying could be inferred without direct proof of access. 17 U.S.C.A. § 411(a).

16. Copyrights and Intellectual Property

Where defendants admitted that they sold audiovisual games which were found to be virtually identical to plaintiff's copyrighted games, and testified that they placed those games on routes where they were regularly in use, the plaintiff, seeking injunctive relief, had shown probable success in proving that defendants had infringed plaintiff's right to perform and distribute its copyrighted works and that conclusion was not altered by defendants' lack of knowledge that their games were copies of plaintiff's games or by the fact that defendants did not themselves make the copies which were distributed or performed. 17 U.S.C.A. §§ 106(3, 4), 411(a).

17. Copyrights and Intellectual Property

For purposes of injunctive relief, proof of copyright infringement creates a presumption that the copyright holder will suffer irreparable harm. 17 U.S.C.A. § 411(a).

18. Copyrights and Intellectual Property

Where plaintiff copyright holder made a strong showing of infringement and defendants offered no evidence as to plaintiff's harm, the court found that plaintiff would suffer irreparable harm if a preliminary injunction were not issued. 17 U.S.C.A. § 411(a).

19. Injunction

When balancing equities in a preliminary injunction action, the court must assess the harm which the injunction would impose on defendants.

20. Copyrights and Intellectual Property

For purpose of preliminary injunction restraining infringement of copyrights on coin-operated electronic video games, copyright owner would suffer substantial harm as popularity of audiovisual games is notoriously short-lived and plaintiff had invested large sums of money in acquisition and development of the games and absent injunctive relief public in-

terest in the works might dissipate before plaintiff could vindicate its rights. 17 U.S.C.A. § 411(a).

21. Copyrights and Intellectual Property

By granting preliminary injunction to holder of copyrighted coin-operated video games the court would be furthering the public interest of the Copyright Act in encouraging creativity by fostering and rewarding creative expression. 17 U.S.C.A. § 411(a).

22. Copyrights and Intellectual Property

In view of striking similarity of defendants' coin-operated electronic video games to plaintiff's copyrighted games, want of evidence by defendants as to plaintiff's harm and considering public interest embodied in Copyright Act, a preliminary injunction would be issued prohibiting defendants from engaging in further infringing conduct. 17 U.S.C.A. § 411(a).

23. Trade Regulation

To prevail on its Lanham Act claim plaintiff manufacturer of coin-operated electronic video games was required to prove that its games had nonfunctional design features, that those features had acquired secondary meaning and that defendants' use of those features in their games was likely to cause confusion in the marketplace. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

24. Trade Regulation

It is not the rule that for Lanham Act purposes a design feature is nonfunctional only if it serves no utilitarian function but, rather, a design feature, adopted for identification purposes, may be deemed nonfunctional so as to render imitation actionable, even if it serves some useful purpose and crucial consideration is whether protection against imitation of the design feature will hinder effective competition. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

25. Trade Regulation

Where characters in plaintiff's coin-operated electronic video game were fanciful creations having no counterparts in reality and could be given any imaginable shape without changing basic character of the game, which involved maneuvering the game's main character through a maze and avoiding capture, the shapes and coloring of the characters were nonfunctional for purpose of Lanham Act claim of improper imitation. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

26. Trade Regulation

For Lanham Act purposes, issue of whether a nonfunctional design feature has acquired a secondary meaning depends on the consuming public's association of that design with goods from a single source. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

27. Trade Regulation

Secondary meaning, for Lanham Act purposes, may be established by circumstantial evidence. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

28. Trade Regulation

Existence of a secondary meaning, for purposes of Lanham Act, may be inferred from evidence that a defendant has consciously imitated the nonfunctional design features of a plaintiff's product, which inference is based on the expectation that a businessman would not adopt a specific nonfunctional design feature without a purpose and absent proof of other motivation evidence of conscious imitation is sufficient to create an inference that the imitated design feature in fact had a secondary meaning. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

29. Trade Regulation

In view of evidence that defendants were aware of existence of plaintiff's coin-operated electronic video games, that for all practical purposes the games were identical and in view of evidence that customers who wished to purchase plaintiff's game from defendants were offered defendants' games, it was found, for Lanham Act purposes, that defendants had consciously imitated the nonfunctional design features of plaintiff's game with intent to enjoy consumer acceptance of plaintiff's games and such conscious imitation was evidence that the nonfunctional design features had acquired secondary meaning, with a finding of secondary meaning also supported by evidence of consumer complaints about defendants' games. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

30. Trade Regulation

Substantial number of coin-operated electronic video games sold by plaintiff was evidence of secondary meaning for purpose of Lanham Act complaint against defendants, charged with imitating plaintiff's games. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

31. Trade Regulation

Advertising is a relevant factor in resolving issue of secondary meaning for purpose of Lanham Act charge of copying. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

32. Trade Regulation

Determination of whether the Lanham Act defendant's conduct in imitating a competitor's product is likely to cause confusion in the marketplace depends on the perceptions of the reasonable consumer. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

33. Trade Regulation

To prevail on claim of likelihood of confusion, plaintiff manufacturer of coin-operated electronic video games was required to show that Lanham Act defendants' use of plaintiff's game characters was likely to confuse a reasonable consumer about the source of defendants' games or plaintiff's connection with them and whether plaintiff satisfied that burden depended on a variety of factors, no one of which was determinative. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

34. Trade Regulation

Strength of a Lanham Act plaintiff's mark is one factor considered in assessing likelihood of confusion and if the mark has strong secondary meaning in the public's mind, a defendant's use of that mark is likely to cause greater confusion than use of a weaker mark would cause. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

35. Trade Regulation

Although showing of secondary meaning did not suggest that Lanham Act plaintiff's mark had a strong secondary meaning among the consuming public, the weakness of the mark did not mean that likelihood of confusion could not be proven but, rather, that a strong showing of the other factors was required. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

36. Trade Regulation

One factor which should be considered in a Lanham Act suit in assessing the likelihood of confusion is similarity of design features used by the parties. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

37. Trade Regulation

Where design of defendants' game characters was virtually identical to design of game characters in plaintiff's coin-operated electronic video games and overall impression created

by defendants' characters was indistinguishable from impression conveyed by plaintiff's characters, that similarity strongly suggested that defendants' use of plaintiff's design features would cause confusion in the marketplace, for purposes of Lanham Act suit. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

38. Trade Regulation

An additional factor which should be considered in resolving likelihood of confusion in a Lanham Act suit is the degree of care likely to be used by potential customers and two additional related factors are degree of similarity between the products and competitive proximity of the products. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

39. Trade Regulation

When the parties' products are similar, a Lanham Act defendant's use of plaintiff's mark is likely to cause greater confusion than when dissimilar products are involved and likelihood of confusion is further increased if the products are distributed through similar channels of trade to the same ultimate consumers. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

40. Trade Regulation

Actual incidents of consumer confusion is an important factor in resolving the likelihood of confusion issue in a Lanham Act suit and although actual confusion is not an essential element of a Lanham Act cause of action, it is positive proof of likelihood of confusion. Lanham Trade-Mark Act § 43(a), 15 U.S.C.A. § 1125(a).

41. Trade Regulation

Defendants' conscious imitation of plaintiff's electronic video game characters was relevant to issue of likelihood of confusion in Lanham Act suit and since defendants had knowledge of plaintiff's games and used characters in their games identical to plaintiff's characters, such conduct suggested that defendants were seeking to capitalize on public recognition of plaintiff's characters which intent gave rise to inference that defendants were successful in capitalizing on plaintiff's reputation by confusing the public. Lanham Trade-Mark Act § 43(a), 15 U.S.C.A. § 1125(a).

42. Trade Regulation

To secure preliminary injunction in Lanham Act suit, plaintiff was not required to present specific evidence of irreparable harm and once plaintiff, which manufactured coin-operated electronic video games, proved tendency of defendants' conduct to deceive, the requirement of irreparable harm was satisfied. Lanham Trade-Mark Act § 43(a), 15 U.S.C.A. § 1125(a).

43. Trade Regulation

One policy underlying provision of Lanham Act prohibiting false designation of origin and false descriptions is protection of consumers from misleading descriptions of products. Lanham Trade-Mark Act § 43(a), 15 U.S.C.A. § 1125(a).

44. Trade Regulation

Plaintiff manufacturer of coin-operated electronic video games was entitled to preliminary injunction prohibiting defendants, which marketed virtually identical games, from further violations of Lanham Act's proscription of false designation of origin and false descriptions. Lanham Trade-Mark Act § 43(a), 15 U.S.C.A. § 1125(a).

Lindsey Miller Lerman, Omaha, Neb., David A. Gerber, Los Angeles, Cal., Eric C. Cohen, Chicago, Ill., for plaintiff.

Mark Hunter, Omaha, Neb., for defendants Dale Dirkschneider and Harold Peterson, individually and doing business as A-1 Machines.

Dennis Thomte, Omaha, Neb., for defendants Gerrit Kraayenbrink, individually and doing business as Soo Valley Distributing Company, and Venture Line, Inc.

MEMORANDUM

URBOM, *Chief Judge*. The plaintiff, Midway Manufacturing Co., is a manufacturer of coin-operated electronic video games. Midway has obtained copyright registrations on many of these games, including Galaxian, Pac-Man, and Rally-X. The plaintiff alleges that the defendants¹ are engaged in the manufacture, distribution, and sale of video games which are virtually identical to the plaintiff's Galaxian, Pac-Man and Rally-X games. The plaintiff contends that the conduct of the defendants infringes the plaintiff's copyrights, violates the Lanham Act, and violates the Nebraska Deceptive Trade Practices Act. For relief, the plaintiff seeks damages and an injunction prohibiting future infringement.

On April 30, 1981, Judge Robert V. Denney issued an ex parte temporary restraining order [Filing # 17]. He also issued an order directing the United States Marshal to impound any allegedly infringing articles in the possession of the defendants [Filing # 9]. On May 18, 1981, a hearing was held before Judge Denney on the plaintiff's request for a preliminary injunction [Filing # 1]. Upon Judge Denney's hospitalization and death the case has been reassigned to me, and the parties have agreed to my resolving the matter of preliminary relief on the basis of the record already made, but requested oral arguments. Such arguments were held on July 3, 1981, and the issue of preliminary relief is now ready for resolution. The following discussion constitutes this court's findings of fact and conclusions of law on the plaintiff's request for preliminary relief.

I. Findings of Fact.

1. The plaintiff, Midway Manufacturing Co., is an Illinois corporation having its principal place of business at Franklin Park, Illinois. The plaintiff is a designer and manufacturer of coin-operated electronic video games. In the United States, Midway sells its video games to regional distributors who sell video games to operators. The operators place the machines in arcades and other places for public use. [Tr. 80, 91].

2. Venture Line, Inc. [Venture Line] is an Arizona corporation. Its primary business is the manufacturing of printed circuit boards for coin-operated electronic video games. These printed circuit boards are sold to

¹The plaintiff's complaint names Venture Line, Inc., as a defendant. The Court, however, has no personal jurisdiction over Venture Line, Inc. This corporation, therefore, will not be identified as a defendant in this Memorandum Opinion.

businesses which manufacture audiovisual games using Venture Line's circuit boards. Venture Line does not manufacture any video games. [Ex. # 25, pp. 15, 73-74, 162-62].²

3. Defendant Gerrit Kraayenbrink is the president of Soo Valley Vending, Inc. [Soo Valley Vending]. This corporation has a place of business at 440 Sixth Street, Northwest, Sioux Center, Iowa. Soo Valley Vending was incorporated six or seven years ago and has been in the business of operating coin-operated electronic video games since its formation. [Ex. # 26 pp. 6, 8-10, 11].

4. In the latter half of 1980, Soo Valley Vending began to assemble and distribute coin-operated video games under the name Soo Valley Distributing Co. [Soo Valley Distributing]. In April of 1981, Soo Valley Distributing was incorporated. The capitalization of this new corporation was based in part on a payment of \$39,000.00 from Soo Valley Vending. This payment did not give rise to any indebtedness on the part of Soo Valley Distributing to Soo Valley Vending. [Ex. # 26, pp. 16-18, 19-20, 21-22, 110-14].

5. Soo Valley Distributing is in the business of assembling and distributing coin-operated video games. The printed circuit boards which are incorporated in these games are purchased from a number of sources including Venture Line. The assembled games are either sold to distributors or are placed on routes operated by Soo Valley Vending. [Ex. # 26, pp. 6, 8-10, 59, 79-80].

6. The relationship between Soo Valley Vending and Soo Valley Distributing has remained close. In addition to operating out of the same building, the corporations share corporate officers and shareholders. Defendant Kraayenbrink is the president of Soo Valley Distributing. Kraayenbrink, his son, Henry, and Harlan Bootsma each own equal shares in both Soo Valley Vending and Soo Valley Distributing, and all three are officers and directors of Soo Valley Distributing and Soo Valley Vending. [Ex. # 26, pp. 6, 7-8, 11-12, 14-15, 18-19].

7. Defendants Dale Dirkschneider and Harold Peterson are residents of the State of Nebraska and partners in a partnership operated under the name "A-1 Machines." A-1 Machines has a place of business at 620 South Saddle Creek, Omaha, Nebraska. The business of A-1 Machines includes the operation and distribution of coin-operated electronic video games. A-1 Machines purchases some of the video games it operates and distributes from Soo Valley Distributing. [Ex. # 27, pp. 2-4, 5, 9-10; Ex. # 28, p. 2].

8. The audiovisual games involved here consist of a cabinet containing electronic circuitry and a television picture tube which serves as a screen upon which the visual images of the games are shown. The electronic cir-

²Unless otherwise indicated, all references are to the plaintiff's exhibits.

cuity is in the form of printed circuit boards and other electronic components which cause the images of each game to be seen on the screen and generate the sounds of each game. The printed circuit board for each game is loaded withh electronic components. These components include computer chips, called ROMs, PROMs, and EPROMs by those in the trade.³ The PROMs store the information which produces the games' images and sounds. This information includes the field on which the game is played, the design of the playing symbols or images seen on the screen, their interactions with one another, and the accompanying musical and sound effects. A game may be copied by electronically copying the PROMs. [Tr. 55-56; Ex. # 17, ¶2; Ex. # 25, pp. 29-30, 81; Ex. # 26, pp. 25-31].

9. Prior to the insertion of a coin, the video games operate in a repeating attract mode which summarizes each game for prospective players. When a coin is deposited and the start button is depressed, the game shifts into the play mode. In the play mode, some of the playing symbols or images on the screen are responsive to operation of the player control panel, and others move in a predetermined sequence and interact with the player-controlled images in a preset manner. [Ex. # 17, ¶3; Ex. # 26, p. 36].

10. The market for audiovisual games is very unpredictable. A game's commercial popularity often terminates abruptly after a short period of time. The average game generally would lose its appeal within a year of being introduced on the market. [Ex. # 17, ¶12].

11. The elements of the Galaxian video game appear on a background star pattern consisting of twinkling colored lights that roll from the top of the screen to the bottom. The game involves a missile-firing rocket ship operated by the player, plus a formation of enemy aliens. The aliens are arranged in a convoy of five horizontal rows. There are four denominations or ranks of aliens, with the highest ranking nearest the player's ship. Each rank has a distinguishing color. The highest ranking alien is shaped like a rocket ship, but the other ranks have flapping wings. Individual aliens unpredictably invert and swoop down to bomb the player's ship. Sometimes the alien attack consists of miniformations involving the alien flagship or chief, as well as flying alien escorts. Whenever a ship is destroyed, a bright explosion appears on the screen, with appropriate sound effects. The player's score is measured by the number and rank of aliens destroyed. [Ex. # 17, ¶5; Ex. # 18].

12. The Galaxian video game was created by Namco in 1979, and was first published by Namco on September 15, 1979, in Japan. Midway became aware of Galaxian at a private showing at Namco's offices in Tokyo on October 17, 1979. Because of the game's unique features, Midway decided to acquire rights in the game. [Tr. 82-83; Exs. # 11, # 12; Ex. # 17, ¶15].

³ROMs, PROMs, and EPROMs are hereinafter referred to as "PROMs".

13. In an assignment dated February 2, 1980, Namco assigned all United States rights in Galaxian to Midway. The consideration for this assignment was the payment of substantial advances and royalties. The amount of payments made through March of 1981 has amounted to approximately 3.5 million dollars [Tr. 83-84; Ex. # 10].

14. Since February, 1980, the plaintiff has sold in excess of forty thousand Galaxian video games. Each Galaxian video game has a notice of Midway's claim of copyright, the name of the game, and Midway's name. The notice is affixed near the screen of the video game. [Tr. 99-100, 107; Ex. # 17, ¶11; Ex. # 18].

15. The plaintiff made video tape recordings of the audiovisual presentation of the Galaxian play and attract modes. The video tapes were made in Franklin Park, Illinois. The video tape and applications to register the copyright on the Galaxian audiovisual work were submitted by Midway to the Copyright Office. A certificate of copyright registration, No. PA59-977, effective March 6, 1980, was issued for the audiovisual work found in the Galaxian's play mode. A second certificate of registration, No. PA68-323, effective May 23, 1980, was issued for the audiovisual work found in the Galaxian's attract mode. [Tr. 94-95; Ex. # 11; Ex. # 12].

16. The Pac-Man video game centers on a maze which covers the entire screen. The player guides the Pac-Man character through the maze. Points are scored when the Pac-Man eats dots in his path. Four ghost monsters, Inky, Blinky, Pinky and Clyde, chase after the Pac-Man, trying to capture and deflate him. The Pac-Man can counterattack by eating a big power capsule that enables him to overpower the monsters for additional scores. After all the dots are gobbled up, the screen is cleared, and the Pac-Man game continues for another round. Each round or rack features a special fruit target in the maze, which, if eaten, earns bonus points. Audio and musical effects accompany the play of the game. [Tr. 113; Ex. # 17, ¶7; Ex. # 19].

17. The Pac-Man video game was created by Namco in 1980 and was first published by Namco on May 22, 1980, in Japan.⁴ At the invitation of Namco, Midway representatives first viewed the Pac-Man game in Japan on August 13, 1980. This showing convinced Midway's representative that the game's extraordinary presentation made it a good target for acquisition. [Tr. 84-85; Ex. # 15; Ex. # 17, ¶6].

18. An assignment dated October 10, 1980, gave Midway all United States rights in Pac-Man. The consideration for this assignment was the payment of substantial advances and royalties. To date, the plaintiff has paid over 1 million dollars for use of Namco's rights in the Pac-Man and Rally-X video games. [Tr. 86-87; Ex. # 13; Ex. # 17, ¶4].

⁴When originally developed by Namco, the game was called "Puck Man." Namco and Midway, however, later agreed that the game would be marketed in the United States under the name "Pac-Man." Tr. 85, 104-05].

19. Twenty-five thousand Pac-Man games have been sold by Midway since February, 1980. Each game has a notice of Midway's claim of copyright, the name of the game, and Midway's name. The copyright notice is affixed near the screen and is also contained in the game's attract mode. [Tr. 99-100, 107; Ex. # 17, ¶11; Ex. # 19].

20. A video tape recording of the audiovisual presentations of the Pac-Man attract and play modes was made by the plaintiff in Franklin Park, Illinois. Midway submitted this video tape and an application to register the copyright on the Pac-Man audiovisual work to the Copyright Office. A certificate of copyright registration, No. PA 83-768, effective November 13, 1980, was issued for the audiovisual work found in the Pac-Man attract and play modes. [Tr. 94-95; Ex. # 15].

21. Rally-X is a combination maze chase and race game. Each player begins the game with a full fuel tank. The object of the game is to drive a car through the maze clearing various checkpoint flags before the fuel is exhausted. Increasing point values are scored for each checkpoint flag cleared. The player is aided in his race through the maze by a radar screen which shows the position of the checkpoint flags and red pursuit cars. This radar is necessary because, unlike Pac-Man, the entire Rally-X maze is not projected on the screen. Rather, the player only views the area of the maze over which his car is passing. The red pursuit cars try to wreck the player's car. The player can outmaneuver the pursuit cars by releasing a smoke screen that causes the cars to spin and stall. If the pursuit cars run into the player's car, an explosion effect and the word "BANG" appear on the screen. The play of the game is accompanied by sound effects and music. [Tr. 114-15; Ex. # 17, ¶8, Ex. # 20].

22. The creator of the Rally-X game is Namco. The first publication of the game occurred in Japan on October 3, 1980. At the invitation of Namco, Midway representatives first viewed the Rally-X game in Japan on August 13, 1980. Midway's representatives were impressed by the Rally-X's extraordinary presentation and decided that the game was a good target for acquisition. [Tr. 84-85; Ex. # 16; Ex. # 17, ¶6].

23. An assignment dated October 10, 1980, gave Midway all United States rights in Rally-X. The consideration for this assignment was the payment of substantial advances and royalties. To date, the plaintiff has paid over 1 million dollars for the use of Namco's rights in Pac-Man and Rally-X. [Tr. 86-87; Ex. # 14, Ex. # 17, ¶4].

24. Twenty-five hundred Rally-X video games have been sold by Midway. Each game has a notice of Midway's claim of copyright, the name of the game and Midway's name. The copyright notice appears on the screen after a coin is inserted in the game. [Tr. 99-100, 107; Ex. # 17, ¶11; Ex. # 20].

25. Midway has made a video tape of the attract and play modes of the Rally-X game. This tape was made in Franklin Park, Illinois. The tape and

an application to register the copyright on the Rally-X audiovisual work were submitted by Midway to the Copyright Office. A certificate of copyright registration, No. PA 88-049, effective January 6, 1981, was issued for the audiovisual work found in the Rally-X attract and play modes. [Tr. 94-95; Ex. # 16].

26. The promotion of the Galaxian, Rally-X and Pac-Man games followed Midway's standard marketing procedure. Midway's standard procedure for marketing a new video game includes distributing thousands of brochures for the game to each of Midway's United States distributors. Each brochure is in full color, and contains prominent displays of the name of the game and explicit pictorial and graphic representations of the visual elements of the game. These brochures, in turn, are used by the distributor to advertise and promote the new game to the distributor's customers, who are generally operators.

Midway also places advertisements in trade magazines, such as Replay, Play Meter, Vending Times, Market Place and Canadian Coin Box. The advertisements are similar to Midway's brochures. Midway promotes its new games at national and local trade shows. Finally, Midway distributes promotional items such as mugs and T-shirts. [Tr. 88-89, 90-93; Ex. # 17, ¶9; Filing # 14 attachments].

27. Midway has invested over 20 million dollars in parts, inventory and equipment for the mass production of the Galaxian, Pac-Man and Rally-X video games. [Ex. # 17, ¶10].

28. The defendants' Galactic Invaders game is for all practical purposes identical to the plaintiff's Galaxian game.⁵ A few of the specific similarities between the games are discussed below to illustrate the extent to which they are the same. This discussion is not intended to list all the similarities between the games.

The attract mode of these games may be divided into two parts. The first part of the attract mode is a display of the alien attackers and the amount of points scored for destroying them. The shape of the aliens in the Galactic Invaders game is identical to the shape of the aliens in the Galaxian game and the points awarded are the same. In addition, the manner in which these aliens are presented is the same in each game. The only difference between the games in this part of the attract mode is that the defendants' game does not have certain nonessential textual material found in the plaintiff's game.

The second part of the attract mode is a demonstration of how the game is played. The only difference between the games in this part of the attract mode is that the Galaxian demonstration varies, whereas the Galactic Invader demonstration is always the same. This difference is so minute that

⁵Unlike the Galaxian, the Galactic Invaders game offered into evidence is not in color. [Ex. # 2].

it would not be noticed unless the games were subject to a side-by-side comparison.

In addition to the attract mode, the sound effects of each game are identical. Among the distinctive sound effects common to both games are: the musical sound activated when the play button is pushed; the pulsating sound heard throughout the play mode; the sound heard when the aliens swoop out of the convoy to attack; and the explosion and other sound effects heard when the player's ship is destroyed.

The play modes of each game are also virtually identical. This may be illustrated by placing the player's ship in the center of the screen. If the game is put into the play mode and the player's ship is not moved, each game's aliens, with one minor exception, will attack the player's ship in the same sequence and destroy the ship in the same manner. [Ex. # 2; Ex. # 18].

29. Soo Valley Distributing manufactures a game called "Kamikaze III" which the plaintiff contends is the same as Galaxian. Although the Court has not had the opportunity to view the game, the evidence presented shows that the games are very similar.

A videotape of a Kamikaze III attract mode shows that the attract mode of this game is virtually identical to the Galaxian attract mode. Other than minor textual differences, the Kamikaze III's manner of presenting the aliens and their respective values is identical to the Galaxian attract mode. The number and shape of the aliens are the same. In addition, the demonstration of the play of the game appears to be the same in each game. The size and configuration of the convoy are the same. The manner in which the aliens leave the convoy to attack is also very similar, although Kamikaze III aliens move faster. Thus, aside from a couple of minor differences, the attract mode of the Galaxian and Kamikaze III are the same.

In the play mode, two features differentiate the play of the Galaxian and the Kamikaze III. First, the Kamikaze III plays faster. This difference in play is reflected in the faster speed of the aliens leaving the convoy and the greater number of bombs released. Second, the number of aliens leaving the convoy to attack is larger in the Kamikaze III game. Aside from these differences, it appears that the Kamikaze III play mode is identical to the Galaxian play mode. [Ex. # 18; Ex. # 24; Ex. # 26, pp. 39-42; Ex. # 25, pp. 46-53].

30. The defendants' Mighty Mouth game is, for all practical purposes, identical to the plaintiff's Pac-Man game. A few of the specific similarities between the games are discussed below to illustrate the extent to which the games are the same. This discussion is not intended to list all the similarities between the games.

The attract mode of the Mighty Mouth game contains the only readily apparent differences between the games. The names of the Mighty Mouth

characters are different from the names given the Pac-Man characters. The other difference is the speed at which the attract modes run. The Mighty Mouth Attract mode runs somewhat faster than the Pac-Man. This difference in speed can only be observed when the games are viewed side-by-side.

In all other respects, the attract modes of each game are identical. The color and shape of the characters of each game are the same. The maze through which these characters move is the same color and configuration. Each game presents these characters in identical fashion. The attract modes demonstration of the games' play is identical. The monster character and the player puck in each game's demonstration moves in the same directions and stop at the same place.

The sound effects of each game are also the same. Several of these sound effects deserve brief mention because of their distinctive qualities. Each game has the same sound effects when the play button is pushed; when the player puck is gobbling dots; and when the player puck is caught by the monster characters.

The progression of play appears to be identical. If the games are placed in the play mode without moving the player's control stick, the monster characters in each game will move along the same routes and will ultimately destroy the player puck in the same manner. In addition, the visual display when the player puck eats a power capsule is the same in each game. When this occurs, the monster characters turn a dark blue and race around the maze. Finally, in each game, a player puck which is caught by a monster character deflates and disappears from the screen. [Ex. # 8; Ex. # 9; Ex. # 19].

31. The defendants' Rally-X game is for all practical purposes, identical to the plaintiff's Rally-X games. A few of the specific similarities are discussed below to illustrate the extent to which the games are the same. This discussion is not meant to list all the similarities between the games.

The attract mode of each game may be divided into two parts. First, the attract modes contain a description of the rules of the games. Aside from the name of the manufacturer, these displays are the same. Second, the attract modes contain a demonstration of the game's play. The color and shape of the cars and maze are the same in each game. The demonstrations are different in that the cars often follow different routes through the maze. This difference, however, can only be observed if the games are compared side-by-side. In all other respects, the attract modes are the same.

The Rally-X play modes are also very similar. The sound effects accompanying the games' play are the same. Particularly striking are the sound effect which is heard when the play button is pushed and the monotonous melody which is played when the cars are moving. In addition, each game has an explosion with the word "BANG" on it when the player's car is

destroyed. This explosion is accompanied by an appropriate sound effect. [Ex. # 1; Ex. # 7; Ex. # 10].

32. Soo Vally Distributing has assembled Galactic Invaders, Kamikaze III, Mighty Mouth, and Rally-X video games and conversion kits. The conversion kits were all sold. The video games were sold or were placed on routes operated by Soo Valley Vending. Defendant Kraayenbrink knew that these games were substantially similar to the games manufactured by Midway.⁶ He admits that he had received notice of the plaintiff's claim of infringement, but did not cease distributing or operating the allegedly infringing goods. [Ex. # 26, pp. 30, 35-49, 53-54, 60-61, 62, 63-64, 72-73, 75-76, 77-81, 83-85, 86-88, 89-90, 91, 151, 152, 153-154, 104-05, 107, 109, 142-43, 168-71].

33. On at least one occasion, a customer contacted defendant Kraayenbrink to purchase a conversion kit for a Galaxian game. The defendant's response to such an inquiry was to offer to sell the customer a Galactic Invaders conversion kit. He would tell the potential customer that Galactic Invader was the same thing as a Galaxian. [Ex. # 26, p. 136].

34. Soo Valley Distributing and Soo Valley Vending currently own few Galactic Invader, Kamikaze III, Mighty Mouth or Rally-X video games or printed circuit boards. No printed circuit boards are currently on order. [Ex. # 26, pp. 60-62, 121, 143-161].

35. Defendants Peterson and Dirkschneider, through their partnership, A-1 Machines, have purchased Galactic Invaders, Mighty Mouth and Rally-X video games from Soo Valley Distributing. Of these games, all but five have been sold. A-1 Machines is currently operating the remaining machines at various locations. The defendants were aware that these games were similar to the games manufactured by the plaintiff. [Ex. # 27, pp. 14-16, 17, 18, 23-27, 28, 53-54, 55-57, 63; Ex. # 28, pp. 5, 7-9, 13-15, 16].

36. On at least one occasion, a customer called A-1 Machines and asked to purchase a Pac-Man game. Defendant Dirkschneider offered to sell the customer a Mighty Mouth game, explaining that it was similar to the Pac-Man game. The customer ultimately purchased the Mighty Mouth. In Dirkschneider's opinion, one of the selling points of the Mighty Mouth game was its similarity to the Pac-Man game. [Ex. # 28, pp. 7-8, 13-14].

37. A-1 Machines currently owns very few Galactic Invaders, Mighty Mouth or Rally-X video games. The partnership has no outstanding

⁶Some of the Mighty Mouth games assembled by Soo Valley Distributing had features different from the Mighty Mouth described above. The Mighty Mouth games with the different features were made from Venture Line printed circuit boards. The Court has viewed a video tape of the attract mode of the Venture Line board [Ex. # 24]. Although this Mighty Mouth is more distinctive than the Mighty Mouth described above, the game is still similar to the plaintiff's Pac-Man game. [Ex. # 25, pp. 124-26].

orders to purchase any of these games. [Ex. # 27, pp. 14-16, 19-20; Ex. # 28, pp. 20-21, 25-26].

38. A-1 Machines has received complaints about the performance of its Mighty Mouth game. These complaints came from two young persons who were playing the Mighty Mouth game. They told Dirkschneider that they didn't like the way the game played and that they wanted "a regular factory game." Dirkschneider interpreted this to mean that the customers wanted a Midway game. [Ex. # 28, pp. 8, 17-20].

II. The Preliminary Injunction Standard.

The determination of whether a preliminary injunction should be issued is entrusted to the discretion of the trial court. The factors which should guide the exercise of this discretion are:

- (1) the threat of irreparable harm to the plaintiff; (2) the state of the balance between this harm and the injury that granting the injunction will inflict on other parties litigant; (3) the probability that plaintiff will succeed on the merits; and (4) the public interest.

Dataphase Systems, Inc. v. C L Systems, Inc., 640 F.2d 109, 113 (8th Cir. 1981). No one of these factors is determinative.⁷ The Court will therefore discuss each of these factors as it applies to the plaintiff's various causes of action.⁸

III. Copyright Infringement.

A. Probable Success on the Merits.

[1] In order to prevail on its claim of copyright infringement, the plaintiff must prove that it is the owner of a valid copyright and that the defendants have performed and distributed games copied from the plaintiff's audiovisual works. See *Ferguson v. National Broadcasting Co.*, 584 F.2d 111, 113 (5th Cir. 1978); *Novelty Textile Mills v. Joan Fabrics Corp.*, 558 F.2d 1090, 1092 (2d Cir. 1977); *Testa v. Janssen*, 492 F.Supp. 198, 202

⁷The interrelationship of these factors is illustrated by the following passage from *Dataphase*:

In balancing the equities no single factor is determinative. The likelihood that plaintiff ultimately will prevail is meaningless in isolation. In every case, it must be examined in the context of the relative injuries to the parties and the public. If the chance of irreparable injury to the movant should relief be denied is outweighed by the likely injury to other parties litigant should the injunction be granted, the moving party faces a heavy burden of demonstrating that he is likely to prevail on the merits. Conversely, where the plaintiff has raised a substantial question and the equities are otherwise strongly in his favor, the showing of success on the merits can be less.

Id., at 113.

⁸The plaintiff can obtain the relief it requests based on its copyright and Lanham Act claims. The Court will therefore not discuss the plaintiff's state law claim.

(W.D.Pa.1980). For the reasons discussed below, the Court is of the opinion that the plaintiff has established that it will probably succeed on the merits of its infringement cause of action.

1. Validity of Copyright.

[2] Under the Copyright Act, a certificate of copyright registration, obtained within five years of first publication, constitutes "prima facie evidence of the validity of the copyright and of the facts stated in the certificate." 17 U.S.C. § 410(c) (1976). The plaintiff has offered into evidence its certificates of copyright registration for the audiovisual works contained in the Pac-Man, Galaxian and Rally-X games. These copyright registrations were obtained within five years of the first publication of these works. Through this evidence, the plaintiff has made a prima facie showing that its audiovisual works are copyrightable subject matter, that the works are original, that the statutory formalities of registration have been satisfied, and that the plaintiff is the owner of the copyrights. 3 M. Nimmer, *Nimmer on Copyright* § 12.11[A], [B], [C] (1980) [hereinafter cited as "Nimmer on Copyright"]. See also *Dollcraft Industries, Ltd. v. Well-Made Toy Manufacturing Co.*, 479 F.Supp. 1105, 1114 (E.D.N.Y.1978). This showing places on the defendants the burden of coming forward with evidence which rebuts the plaintiff's claim to ownership of valid copyrights in its audiovisual works. *Dollcraft Industries, Ltd. v. Well-Made Toy Manufacturing Co.*, *supra*, 479 F.Supp. at 1114.

The primary challenge to the validity of the plaintiff's copyrights concerns the issue of fixation. The defendant argues that the plaintiff's games are not copyrightable because the games' visual displays are merely ephemeral projections on a cathode ray tube. This contention is without merit.

[3] The defendants' analysis is defective because it fails to take into account the distinction between the *work* which is the subject of copyright protection and the *tangible medium* in which the work is fixed. See 1 Nimmer on Copyright § 2.03[C]. See also *Midway Manufacturing v. Artic International, Inc.*, No. 80 C 5863, Slip op. at 16 n. 5 (N.D.Ill. June 2, 1981). Because of this distinction, a two-step analysis is required to determine copyrightability. First, the Court must determine whether the plaintiff's works fall within one of the copyrightable subject matters enumerated in the Act. 17 U.S.C § 102(a). Second, the Court must determine whether the work is fixed in a tangible medium of expression.

[4] The plaintiff's games are audiovisual works and thus are copyrightable subject matter. 17 U.S.C. § 102(a)(6). The Act defines audiovisual works as "works that consist of a series of related images which are intrinsically intended to be shown by the use of machines or devices such as projectors, viewers, or electronic equipment, together with accompany-

ing sounds, if any, regardless of the nature of the material objects, such as films or tapes, in which the works are embodied.” 17 U.S.C. § 101. The subject matter of the plaintiff’s copyrights are the games’ visual displays and accompanying sound effects. The games’ visual displays are a series of related images. These images are intrinsically intended to be projected on a cathode ray tube by means of electronic equipment. These characteristics of the plaintiff’s games clearly establish that the plaintiff’s works are copyrightable audiovisual works.

Although the plaintiff’s games consist of copyrightable subject matter, they are not copyrightable unless they are fixed. The Act provides that copyright protection may be obtained “in original works of authorship *fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device.*” 17 U.S.C. § 102(a) (emphasis supplied). A work is fixed in a tangible medium of expression “when its embodiment in a copy or phonorecord, by or under the authority of the author, is sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration.” 17 U.S.C. § 101. The Act contains no restrictions on the type of material objects suitable for fixation. *See* 1 Nimmer §§ 2.03[B][1], 2.09[D][1]. *See also* H.Rep.No.94-1476, 94th Cong., 2d Sess. 52 (1976) *reprinted in* [1977] U.S.Code Cong. & Ad.News 5665.

[5] Under these statutory provisions, it is clear that the plaintiff’s audiovisual works are fixed in the printed circuit boards. The printed circuit boards are tangible objects from which the audiovisual works may be perceived for a period of time more than transitory. The fact that the audiovisual works cannot be viewed without a machine does not mean the works are not fixed. The Court therefore is of the opinion that the plaintiff’s audiovisual works are fixed, and thus may be copyrighted.

[6] The defendants’ second challenge to the validity of the plaintiff’s copyrights focuses on the distinction between an idea and an expression. Under this Act, a copyright holder may not monopolize an idea, but is limited to protecting his expression of an idea. 17 U.S.C. § 102(b). *See generally, Durham Industries, Inc. v. Tomy Corp.*, 630 F.2d 905, 912-13 (2d Cir. 1980); *Franklin Mint Corp. v. National Wildlife Art Exchange*, 575 F.2d 62, 64-65 (3d Cir. 1978), *cert. denied* 439 U.S. 880, 99 S.Ct. 217, 58 L.Ed.2d 193 (1978); *Sid & Marty Krofft Television v. McDonald’s Corp.*, 562 F.2d 1157, 1163, 1167-69 (9th Cir. 1977). The defendants contend that the plaintiff is attempting to use its copyrights to monopolize an idea. As an example, the defendants suggest that the plaintiff’s Galaxian copyright is an attempt to monopolize “the very idea of a video game in which alien ships break away from a convoy to attack a defender ship.” Defendants’ Brief of May 15, 1981, at p. 7. The Court disagrees.

[7] The plaintiff's copyrights cover the plaintiff's audiovisual expression of various game ideas. The expression includes the distinctive color and design of the space ships and other players, as well as the sounds accompanying the playing of the game. Such expressions of game ideas are an appropriate subject of copyright protection. See *Midway Manufacturing v. Artic International, Inc.*, *supra*, Slip op. at 13-14, 1 Nimmer on Copyright § 2.18[H][3]. Cf. *Durham Industries, Inc. v. Tomy Corp.*, *supra*, 630 F.2d at 914-15 (illustrates how identical games may be expressed in different ways).

[8] In addition to challenging the subject matter of the plaintiff's copyrights, the defendants also raise the issue of whether the plaintiff has complied with the statutory formalities of copyright registration. The Act requires that a copyright applicant submit, "in the case of a work first published outside the United States, one complete copy or phonorecord as so published." 17 U.S.C. § 408(b)(3). The plaintiff has submitted to the Copyright Office a video tape of each of its games in their attract and play modes. These video tapes were made in the United States.

Video tapes are "copies" within the meaning of that term as defined in the Act. 17 U.S.C. § 101. The defendants, however, contend that the videotapes submitted by the plaintiff are not copies of the works as first published in Japan. The defendants have offered no evidence which suggests that the games which were video taped were not the same as those first published in Japan. In light of the presumption of validity given to the plaintiff's copyrights, the Court is of the opinion that the defendants have failed to prove noncompliance with the requirements of 17 U.S.C. § 408(b)(3).

The remaining issues raised by the defendants do not concern the validity of the plaintiff's copyrights. These issues instead concern the question of whether the plaintiff may properly bring this action, even if its copyrights are valid. Since the remaining issues do not directly concern the validity of the copyrights, the presumption of validity which accompanies the copyright registration has no application. These remaining issues, however, are closely related to the validity issue, and will therefore be considered in connection therewith.

[9] A copyright registration is a prerequisite to the institution of an infringement suit. 17 U.S.C. § 411(a). The defendants contend that the plaintiff has failed to satisfy this requirement because no copyright registration has been obtained in the computer programs underlying the plaintiff's games. The basis of this contention is the defendants' argument that the instant action is not a suit to prevent the infringement of the plaintiff's audiovisual works, but is rather a suit to protect the computer programs contained in the games' printed circuit boards. Since the computer programs are not the subject of a copyright registration, the defendants conclude that the plaintiff cannot bring the instant action. A challenge,

very similar to the one raised by the defendants, was rejected by the United States District Court for the Eastern District of New York. *Stern Electronic, Inc. v. Harold Kaufman, et al.*, 523 F.Supp. 635, 638-639 (E.D.N.Y.1981). For the reasons discussed in *Stern Electronics*, the Court finds that the plaintiff's failure to obtain copyright registrations on the computer programs underlying its audiovisual works does not preclude the plaintiff from bringing a suit to prevent infringement of its audiovisual works.

[10] The defendants' final contention concerns the issue of notice. The Act provides that "[w]henever a work protected under this title is published in the United States or elsewhere by authority of the copyright owner, a notice of copyright as provided by this section shall be placed on all publicly distributed copies from which a work can be visually perceived, either directly or with the aid of a machine or device." 17 U.S.C. § 401(a). The plaintiff's copyright registration is not prima facie evidence that the notice requirement has been satisfied.⁹ The plaintiff therefore has the burden of coming forward with evidence that proper notice has been given. *Dollcraft Industries, Ltd. v. Well-Made Toy Manufacturing Co.*, *supra*, 479 F.Supp. at 1116.

[11, 12] The plaintiff's Galaxian and Pac-Man games have copyright notices affixed to their cabinets near their viewing screens. In addition, the Pac-Man and Rally-X games have copyright notices which are projected on their cathode ray tubes. The Pac-Man notice is contained in the attract mode. The Rally-X notice appears on the screen after the coins have been inserted but before the play mode commences. The defendants contend that plaintiff has failed to comply with the Act's notice requirements because the plaintiff has failed to place notices on the games' printed circuit boards.

Under the Copyright Act, the copyright notice must be placed "on the copies in such manner and location as to give reasonable notice of the claim of copyright." 17 U.S.C. § 401(c). Although the Act apparently requires fixation on the copies of the works, the proposed regulations for this section provide that the copyright notice requirement is satisfied, for works embodied in printed circuit boards, by including the notice within the visual display of the work or by affixing the notice to the terminal where the work is displayed. 37 C.F.R. § 201.20(g)(1) & (3) *reprinted in* 4 Nimmer on Copyright Appendix 3. This proposed regulation clearly comports with the spirit of § 401(c) of the Act since the regulation would place the notice where it would be most likely to be observed by those viewing the work. Although the proposed regulations are not binding on the Court, they do suggest a persuasive interpretation of the requirements of

⁹The copyright registration is prima facie evidence that copies published prior to the registration had appropriate copyright notice. See 3 Nimmer on Copyright § 12.11[B].

§ 401(c). The Court therefore finds that the plaintiff has satisfied the Act's notice requirements for each of its games.

2. Copying of the Plaintiff's Work.

[13] The second element of an infringement action is copying of the plaintiff's work. For the purposes of this case, the copying requirement should be divided into two parts. See 2 Nimmer on Copyright § 8.01[A]. First, the plaintiff must prove that the defendants' games are copies of the plaintiff's games. In other words, the plaintiff must show that the allegedly infringing games did not have an origin independent of the plaintiff's works. Second, the plaintiff must establish that the defendants' conduct infringed one of the plaintiff's rights enumerated in the Act. In this regard, the plaintiff contends that the defendants infringed its rights to exclusive distribution and performance of its audiovisual works. 17 U.S.C. § 106(3) & (4).

[14] Because of the difficulty of producing direct evidence of copying, a plaintiff in a copyright action generally proves copying "by showing that the person who composed the defendants' work had access to the copyrighted work and that the defendants' work is substantially similar to the plaintiff's." *Ferguson v. National Broadcasting Co.*, *supra*, 584 F.2d at 113. However, if the similarity between the works is so striking that the possibility of independent creation is precluded, a court may find that copying occurred without direct proof of access. *Ferguson*, *National Broadcasting Co.*, *supra*, 584 F.2d at 113; *Testa v. Janssen*, *supra*, 492 F.Supp. at 202-204; *Knickerbocker Toy Co. v. Genie Toys, Inc.*, 491 F.Supp. 526, 528 (E.D.Mo.1980). In the instant case, the similarities between the works are so striking that copying may be inferred without direct proof of access.

[15] A comparison of the defendants' games and the plaintiff's games shows that the games are virtually identical. The Court will briefly discuss a few of the similarities between the games.¹⁰

The plaintiff's Pac-Man game has four characters or monsters which chase the player puck through a maze. These monsters are colored red, pink, aqua and yellow. They have a semicircular shape with feet or legs on the flat, bottom side, and have eyes which look in the direction of their movement. The design of these characters is unique. The monster characters in the defendants' Mighty Mouth game are identical to those in the plaintiff's game.

¹⁰The burden on the plaintiff of proving that two works are strikingly similar is a heavy one. "To prove similarities are striking, [the plaintiff] must demonstrate that 'such similarities are of a kind that can only be explained by copying, rather than by coincidence, independent creation or prior common source.'" *Testa v. Johnson*, *supra*, 492 F.Supp. at 203. The illustrative similarities discussed herein clearly satisfy this heavy burden.

The plaintiff's Galaxian game has a convoy of aliens approaching the player's defense ship. These aliens are unique in their shape and movement. In formation, the aliens fly with their gently flapping wings toward the defense ship. When the aliens break away from the convoy to swoop down on the defense ship, their wings are extended upward in a stationary position. Although the defendants' Galactic Invaders game offered in evidence is not in color, the shape and movement of its aliens are identical to the plaintiff's game.

The plaintiff's Rally-X game is a chase game in which the player's car is pursued through a maze by several pursuit cars. One way of avoiding the pursuit cars is for the player's car to release a smoke screen which sends the pursuit car into a whimsical spin. The defendants' Rally-X game incorporates a smoke screen escape device and spin-out identical to the plaintiff's.

This list of similarities is intended merely to illustrate the extent to which the defendants' games are similar to the plaintiff's. It is not meant to be exhaustive. It cannot be overemphasized that, in virtually every detail, the defendants' games are identical to the plaintiff's. *See Sid & Marty Krofft Television v. McDonald's Corp.*, *supra*, 562 F.2d at 1164. *See also Franklin Mint Corp. v. National Wildlife Art Exchange*, *supra*, 575 F.2d at 65-66.

In addition to specific similarities, the overall appearance of the games is identical. A reasonable observer, comparing the overall appearances of these games, could only conclude that the defendants' games not only copy plaintiff's ideas, but capture the plaintiff's unique expression of those ideas. *See generally, Durham Industries, Inc. v. Tomy Corp.*, *supra*, 630 F.2d at 911-13; *Sid & Marty Krofft Television v. McDonald's Corp.*, *supra*, F.2d at 1164-65; *Universal Athletic Sales Co. v. Salkeld*, 511 F.2d 904, 907, 908-09 (3d Cir. 1975); *McMahon v. Prentice-Hall, Inc.*, 486 F. Supp. 1296, 1304 (E.D.Mo.1980); *Dollcraft Industries, Ltd. v. Well-Made Toy Manufacturing*, *supra*, 479 F.Supp. at 1116-17.

In light of the foregoing discussions, the Court finds that the defendants' games are so strikingly similar to the plaintiff's works that a finding of independent origin is precluded. The Court therefore concludes that the defendants' games are copies of the plaintiff's.

[16] The remaining issue to be resolved is whether the defendants have infringed any of the plaintiff's statutory rights. A copyright holder has the exclusive right to distribute to the public copies¹¹ of his work, and to perform in public the copyrighted work. Both of the defendants have admitted that they sold audiovisual games which the Court has found to be

¹¹The defendants did not reproduce copies of the plaintiff's work. Rather, they distributed copies of the work. This distribution occurred when the defendants sold games which housed copies of the plaintiff's work. The copies of the work were the printed circuit boards which contained the plaintiff's work and which were manufactured by Venture Line, Inc.

virtually identical to the plaintiff's. In addition, they have testified that they have placed these games on routes where they are regularly in use. Based on these admissions, the Court finds that the plaintiff will probably succeed in proving that the defendants have infringed the plaintiff's right to perform and distribute its copyrighted works.¹²

B. Irreparable Harm and Balancing of Equities.

[17,18] Proof of copyright infringement creates a presumption that the copyright holder will suffer irreparable harm. *Novelty Textile Mills v. Joan Fabric Corp.*, *supra*, 558 F.2d at 1094. The plaintiff has made a strong showing of infringement. Since the defendants have offered no evidence as to the plaintiff's harm, the Court finds that the plaintiff will suffer irreparable harm if an injunction is not issued.

[19] When balancing the equities in a preliminary injunction action, the Court must assess the harm which the injunction would impose on the defendants. The evidence in the instant action suggests that an injunction prohibiting the further distribution or performance of the infringing games would do little harm to the defendants' businesses. The defendants admit that they currently own very few of the infringing games. This evidence suggests that an injunction would have little impact on the defendants' business. Moreover the plaintiff's strong showing of infringement suggests that an injunction would protect the defendants from an ever increasing exposure to liability for damages. *Northwestern Bell Telephone v. Bedco. of Minnesota, Inc.*, 501 F.Supp. 299, 303 (D.Minn.1980).

[20] Balanced against the harm to the defendants is the harm suffered by the plaintiff if the injunction is not issued. Allowing the defendants' infringing activity to continue would cause the plaintiff substantial harm. The popularity of audiovisual games is notoriously short-lived. Despite this fact, the plaintiff has invested large sums of money in the acquisition and development of the games in issue here. Without an injunction, the public interest in the plaintiff's copyrighted works may dissipate before plaintiff is able to vindicate its rights. In such a situation, a preliminary injunction is the only effective means of protecting the copyrights. *Stern Electronics v. Harold Kaufman*, *supra*, 637. See *Dollcraft Industries, Ltd. v. Well-Made Toy Manufacturing*, *supra*, 479 F.Supp. at 1177. The Court therefore finds that the balancing of the equities favors the issuing of an injunction.

¹²This conclusion is not altered by the defendants' lack of knowledge that its games were copies of plaintiff's games, see *Knickerbocker Toy Co. v. Genie Toys, Inc.*, *supra*, 491 F.Supp. at 529, or by the fact that the defendants did not themselves make the copies which were distributed or performed. See *American International Pictures, Inc. v. Foreman*, 576 F.2d 661, 663 n. 1, 664 (5th Cir. 1978).

C. The Public Interest.

[21] The Copyright Act evidences a public interest in encouraging creativity by fostering and rewarding creative expression. By granting the plaintiff the relief requested, the Court would be furthering this public interest by rewarding the plaintiff's development of new and challenging audiovisual games. In addition, one court has noted that counterfeits of copyrighted games pose a threat to the health of the video game industry. *Stern Electronics, Inc. v. Kaufman*, *supra*, 638. The Court can conceive of no public interest served by permitting the defendants to engage in the continued distribution and performance of games which are virtual replicas of the plaintiff's games. The Court therefore finds that the public interest would be served by the issuance of an injunction.

D. Summary.

[22] The plaintiff has made a strong showing of probable success on the merits. This showing is sufficient to establish that the plaintiff will suffer irreparable harm. Balanced against this harm is the rather insubstantial harm which an injunction will cause the defendants. Based on these findings, the Court will issue a preliminary injunction prohibiting the defendants from engaging in further infringing conduct.

IV. Lanham Act Violations.

A. Probable Success on the Merits.

[23] The plaintiff's second cause of action is founded on alleged violations of § 43(a) of the Lanham Act. 15 U.S.C. § 1125(a). In order to prevail on this cause of action, the plaintiff must prove: (1) that the plaintiff's games have nonfunctional design features; (2) that these design features have acquired secondary meaning; and (3) that defendants' use of these features is likely to cause confusion in the marketplace.¹³ *Truck Equipment Service Co. v. Fruehauf Corp.*, 536 F.2d 1210, 1217-21 (8th Cir. 1976), *cert. denied* 429 U.S. 861, 97 S.Ct. 164, 50 L.Ed.2d 139 (1976). For the reasons discussed below, the Court is of the opinion that the plaintiff will probably succeed on the merits of its Lanham Act cause of action.

1. Nonfunctional Design Features of the Plaintiff's Games.

[24] Although the line between functional and nonfunctional design features is not always bright, certain established principles guide the

¹³The defendants do not dispute that this suit involves goods affecting interstate commerce.

Court's consideration of this issue. In the *Fruehauf* case, the Eighth Circuit held:

"Imitation of the physical details and design of a competitor's product may be actionable, if the particular features imitated are 'non-functional' and have acquired a secondary meaning. . . . But, where the features are 'functional' there is normally no right to relief. 'Functional' in this sense might be said to connote other than a trademark purpose. If the particular feature is an important ingredient in the commercial success of the product, the interests in free competition permits its imitation in the absence of a patent or copyright. On the other hand, where the feature or, more aptly, design, is a mere arbitrary embellishment, a form of dress for the goods primarily adopted for purposes of identification and individuality and, hence, unrelated to basic consumer demands in connection with the product, imitation may be forbidden where the requisite showing of secondary meaning is made. Under such circumstances, since effective competition may be undertaken without imitation, the law grants protection."

Id. at 1217-18. This passage, however, does not mean that a design feature is nonfunctional only if it serves no utilitarian function. Rather, the circuit court recognized that a design feature, adopted for identification purposes, may be deemed nonfunctional even if it serves some useful purpose. *Id.* at 1218. *Accord Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200, 201, 203-04 (2d Cir. 1979). The crucial consideration is whether protection against imitation of the design feature will hinder effective competition. *Truck Equipment Service Co. v. Fruehauf Corp.*, *supra*, 536 F.2d at 1217-21.

The design features in question here are the numerous characters which are found in the plaintiff's games. These characters clearly serve some useful purpose. Without them, the game could not be played. These characters, however, have been given unique shapes and coloring which can only be described as arbitrary embellishments, not essential to the games' operation. *See Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, *supra*, 604 F.2d at 203 n. 4, 203-04; *Truck Equipment Service Co. v. Fruehauf Corp.*, *supra*, 536 F.2d at 1217-18.

[25] This conclusion is illustrated by an examination of the plaintiff's Pac-Man game. the characters in the Pac-Man game are fanciful creations having no counterparts in reality. These characters could be given any imaginable shape without changing the basic character of the game. A potential competitor, therefore could market a game whose operational features are identical to the plaintiff's game without copying the design feature of the plaintiff's characters. Thus, a prohibition against the imitation of the design features of the plaintiff's characters would not hinder effective competition by anyone who wished to market games having operational features identical to the plaintiff's. The Court therefore finds that the shapes and coloring of the characters in the plaintiff's games are non-functional.

2. Secondary Meaning.

[26,27] The issue of whether a nonfunctional design feature has acquired a secondary meaning depends on the consuming public's association of that design with goods from a single source. *RJR Foods, Inc. v. White Rock Corp.*, 603 F.2d 1058, 1059 (2d Cir. 1979); see *Truck Equipment Service Co. v. Fruehauf Corp.*, *supra*, 536 F.2d at 1220.

"[A] name, mark, or symbol by long and exclusive use and advertising by one person in the sale of his goods * * * may become so associated in the public mind with such goods * * * that it serves to identify them and distinguish them from the goods * * * of others. When such an association exists, the name, mark, or symbol is said to have acquired a 'secondary meaning,' in which the original user has a property right which equity will protect against unfair appropriation by a competitor." * * *

Truck Equipment Service Co. v. Fruehauf Corp., *supra*, 536 F.2d at 1219. Secondary meaning may be established by circumstantial evidence. *Faberge, Inc. v. Saxony Products, Inc.*, 605 F.2d 426, 428 (9th Cir. 1979).

[28] The existence of a secondary meaning may be inferred from evidence that the defendants have consciously imitated the nonfunctional design features of the plaintiff's products. *Faberge, Inc. v. Saxony Products, Inc.*, *supra*, 605 F.2d at 428; *RJR Foods v. White Rock Corp.*, *supra*, 603 F.2d at 1060; *Truck Equipment Service Co. v. Fruehauf Corp.*, *supra*, 536 F.2d at 1220 n. 13. This inference is based on the expectation that a businessman would not adopt a specific nonfunctional design feature without a purpose. Since the design feature could not have been adopted because of its functional usefulness, the only reasonable motivation for such conscious imitation would be to take advantage of the secondary meaning associated with the design.¹⁴ Absent proof of other motivation, evidence of conscious imitation is sufficient to create an inference that the imitated design feature did in fact have a secondary meaning.

[29] Applying this analysis to the instant action, the Court finds that the defendants were aware of the existence of the plaintiff's games and of the similarities between their games and the plaintiffs. The games are for all practical purposes identical. The record also reveals that customers who wished to purchase plaintiff's games from the defendants were offered the

¹⁴The rationale behind this inference was explained in *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 314 F.2d 149 (9th Cir. 1963).

We cannot conclude but that Maier deliberately adopted the name knowing that Black & White was the name and trademark of Buchanan and they must have done so with some purpose in mind. The only possible purpose could have been to capitalize upon the popularity of the name chosen. This popularity, they must have known, would extend to their product because the public would associate the name Black & White with something old and reliable and meritorious in the way of an alcoholic beverage. *Id.*, at 157. See also *Audio Fidelity, Inc., v. High Fidelity Recordings, Inc.*, 283 F.2d 551, 558 (9th Cir. 1960).

defendant's games as substitutes. This substitution suggests that the defendants were attempting to take advantage of consumer interest in the plaintiff's games. Based on this evidence, the Court finds that the defendants consciously imitated the nonfunctional design features of the plaintiff's games with the intent to enjoy some of the consumer acceptance of the plaintiff's games. *See generally Fleischmann Distilling Corp. v. Maier Brewing Co.*, *supra*, 314 F.2d at 157; *Markel v. Scovill Manufacturing Co.*, 471 F.Supp. 1244, 1252 (W.D.N.Y.1979) *aff'd without opinion* 610 F.2d 807 (2d Cir. 1979); *Armstrong Cork Co. v. Armstrong Plastic Covers Co.*, 434 F.Supp. 860, 871 (E.D.Mo.1977); *Mortellito v. Nina of California, Inc.*, 335 F.Supp. 1288, 1292-93 (S.D.N.Y.1972). This conscious imitation is evidence that the nonfunctional design features of the plaintiff's games had acquired secondary meaning.

A finding of secondary meaning is also supported by the evidence of consumer complaints about the defendants' games. Dale Dirkschneider testified that customers playing his Mighty Mouth games were not satisfied with the games' performance. These customers told Dirkschneider that they wanted "a regular factory game" which Dirkschneider interpreted to mean a Midway game.

This testimony indicates that something about the appearance of the defendants' games suggested to the customers that their money would purchase a type of game action associated with the plaintiff's games. These customers' beliefs could not have been created by the games' cabinets which are not similar to the cabinets used on the plaintiff's games. Since the attract mode of the defendants' games prominently displayed characters identical to those used in the plaintiff's games, it is reasonable to infer that the customers' expectations were in part engendered by the fact that the defendants' games imitated the nonfunctional design feature of the plaintiff's games. This consumer expectation is evidence that the nonfunctional design features of the plaintiff's games had acquired a secondary meaning. *See Harlequin Enterprises Ltd. v. Gulf & Western Corp.*, 503 F.Supp. 647, 649 (S.D.N.Y.1980).

[30] There is one other factor which suggests that the design features of plaintiff's have acquired a secondary meaning. The substantial number of games sold by the plaintiff is evidence of secondary meaning. *Truck Equipment Service Co. v. Fruehauf Corp.*, *supra*, 536 F.2d at 1220. Since early 1980, the plaintiff has sold 40,000 Galaxian games, 25,000 Pac-Man games and 2,500 Rally-X games. From these sales, it may be inferred that customers are familiar with the plaintiff's games, and associate the design features of these games with a single source.¹⁵

¹⁵This conclusion is reinforced by the operational characteristics of the plaintiff's games. Each game has an attract mode which prominently displays the games' characters. This display of the games' characters makes it more likely that the public would associate the characters with games made by the plaintiff. The significance of the attract mode is considered in greater detail in the Court's discussion of likelihood of confusion.

[31] The preceding discussion summarizes the evidence of secondary meaning.¹⁶ This evidence by no means conclusively establishes the existence of secondary meaning. Although the issue is a close one, the Court is of the opinion that the plaintiff has presented sufficient evidence to establish that it will probably succeed in proving that the nonfunctional design features of its games have acquired secondary meaning.

3. Likelihood of Confusion.

[32, 33] The determination of whether the defendant's conduct is likely to cause confusion depends upon the perceptions of the reasonable consumer. See *RJR Foods, Inc. v. White Rock Corp.*, *supra*, at 1060; *Armstrong Cork Co. v. Armstrong Plastic Covers Co.*, *supra*, 434 F.Supp. at 871.¹⁷ The plaintiff must show that the defendants' use of the plaintiff's game characters is likely to confuse a reasonable consumer about the source of the defendants' games or the plaintiff's connection with them. See *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, *supra*, 604 F.2d at 204-05. Whether the plaintiff has satisfied this burden depends upon a variety of factors, no one of which is determinative. *SquirtCo. v. Seven-Up Co.*, 628 F.2d 1086, 1091 (8th Cir. 1980).

[34, 35] The strength of plaintiff's mark is one factor which should be considered in assessing the likelihood of confusion. *SquirtCo. v. Seven-Up Co.*, *supra*, 628 F.2d at 1091. If the plaintiff's mark has strong secondary meaning in the public's mind, the defendants' use of that mark is likely to cause greater confusion than the use of a weaker mark would cause. In the instant case, the showing of secondary meaning does not suggest that the plaintiff's mark has a strong secondary meaning among the consuming public. The weakness of the plaintiff's mark, however, does not mean that likelihood of confusion cannot be proven. Rather, it means that a strong showing on the other factors must be made if the plaintiff is to prevail.

¹⁶Advertising is another factor which is relevant to resolving the issue of secondary meaning. *Truck Equipment Service Co. v. Fruehauf Corp.*, *supra*, 536 F.2d at 1220. The plaintiff has offered evidence of its substantial advertising campaigns designed to promote its games. This advertising was directed primarily at distributors who purchase games from the plaintiff. The plaintiff, however, does not appear to contend that its games' design features have acquired secondary meaning among distributors. Rather, the plaintiff contends that the games' design features have secondary meaning among those persons who actually play the games. Advertising directed at distributors is of little probative value in proving secondary meaning recognized by ultimate consumers.

¹⁷The *Armstrong* case is a trademark infringement action under 15 U.S.C. § 1114(1). Although the current action involves a claim under 15 U.S.C. § 1125(a), cases such as *Armstrong* provide authority for assessing the likelihood of confusion in the instant action. See generally, *Black Hills Jewelry Manufacturing Co. v. Gold Rush, Inc.*, 633 F.2d 746, 753 n. 7 (8th Cir. 1980).

Alpha Industries, Inc. v. Alpha Steel Tube & Shapes, Inc., 616 F.2d 440, 445-46 (9th Cir. 1980). The plaintiff has clearly made such a showing.

[36, 37] One factor which should be considered in assessing the likelihood of confusion is the similarity of the design features used by the parties. The design of the defendants' game characters is virtually identical to the design of the plaintiff's game characters. Because of this striking similarity, the overall impression created by the defendants' characters is indistinguishable from the impression conveyed by the plaintiff's characters. *SquirtCo. v. Seven-Up Co.*, *supra*, 628 F.2d at 1091; *RJR Foods, Inc. v. White Rock Corp.*, *supra*, 603 F.2d at 1060. This similarity strongly suggests that the defendants' use of the plaintiff's design features would cause confusion in the marketplace.

The risk of confusion created by the striking similarity of the design features is exacerbated by the manner in which these games operate.¹⁸ Each of the parties' games has an attract mode, which is a display continuously shown on the cathode ray tube whenever the game is attached to a power source and not in the play mode. The attract mode is designed to entice passersby into playing the game. The game's characters are prominently displayed in the attract mode.

The attract modes of the plaintiff's and defendants' games are identical in their overall appearance. The attract modes of the defendants' games imitate not only the design features of the plaintiff's game characters but also the plaintiff's manner of presenting these characters. For example, in both the plaintiff's Pac-Man game and the defendants' Mighty Mouth game, the attract mode features the game characters and their nicknames in a vertical column. Although the names given the characters in defendants' games are different from plaintiff's, the general impression created by the presentation is the same. After the characters are introduced, a number of them engage in a chase underneath the column of characters and nicknames. This chase is identical in both games.

The operation of the attack mode enhances the likelihood of confusion from the defendants' use of characters identical to the plaintiff's. A person interested in playing a game must make his choice based on the attract mode. Since the defendants' attract mode features characters identical to the plaintiff's and presents these characters in a manner very similar to the plaintiff's, the ordinary consumer viewing the attract mode would likely think the game being advertised was the plaintiff's. In other words, the ordinary consumer would likely be confused about the source of the game.

¹⁸"Similarity of the marks . . . must be considered as they are encountered in the marketplace. Although similarity is measured by the marks as entities, similarities weigh more heavily than differences." *AMF, Inc. [v. Sleekcraft Boats]*, 9th Cir., 1979] 599 F.2d [341] at 351. The comparison should be made "in light of what occurs in the marketplace," taking into account the circumstances surrounding the purchases of the goods..

Alpha Industries, Inc. v. Alpha Steel Tube & Shapes, Inc., *supra*, 616 F.2d at 444.

[38] An additional factor which should be considered is the degree of care likely to be used by potential customers. *SquirtCo. v. Seven-Up Co.*, *supra*, 628 F.2d at 1091; *RJR Foods, Inc. v. White Rock Corp.*, *supra*, 603 F.2d at 1061. The cost of playing the parties' games is a quarter. This alone suggests that customer care would not be particularly keen. In addition, the atmosphere surrounding the games in their normal setting indicates that a customer would not be likely to scrutinize a game with such intensity that he would be able to distinguish the plaintiff's and defendants' games. This lack of consumer care is further evidence that there is a likelihood of confusion in the marketplace.

[39] Two other factors which are related to the degree of consumer care deserve brief mention. These factors are degree of similarity between the parties' products and the competitive proximity of the products. *Alpha Industries, Inc. v. Alpha Steel Tube & Shapes, Inc.*, *supra*, 616 F.2d at 445; *Markel v. Scovill Manufacturing Co.*, *supra*, 471 F.Supp. at 1250-51, 1252. When the parties' products are similar, defendants' use of the plaintiff's mark is likely to cause greater confusion than when dissimilar products are involved. The likelihood of confusion is further increased if the parties' products are distributed through similar channels of trade to the same ultimate customers. In the instant case, the parties' games are identical and are distributed through similar trade channels. These facts are further proof of likelihood of confusion.

[40] Actual incidents of consumer confusion is another important factor which should be considered. Although actual confusion is not an essential element of a Lanham Act cause of action, it is positive proof of likelihood of confusion. *Squirt Co. v. Seven-Up Co.*, *supra*, 628 F.2d at 1091; *Markel v. Scovill Manufacturing Co.*, *supra*, 471 F.Supp. at 1251. *See also Truck Equipment Service Co. v. Fruehauf Corp.*, *supra*, 536 F.2d at 1220-21. The Court has already discussed the consumer complaints received by Dirkschneider. These complaints indicate that some customers placed their money in the defendants' games expecting that the games would perform like the plaintiff's. These complaints are evidence of actual consumer confusion and provide further proof that the defendants' conduct is causing a likelihood of confusion in the marketplace.

[41] The final factor relevant to the issue of likelihood of confusion is the defendant's conscious imitation of the plaintiff's game characters.¹⁹ *RJR Foods, Inc. v. White Rock Corp.*, *supra*, 603 F.2d at 1060. *See also Truck Equipment Service Co. v. Fruehauf Corp.*, *supra*, 536 F.2d at 1220. In the instant action, the defendants had knowledge of the plaintiff's games and used characters in their games identical to the characters used by the plaintiff. This conduct suggests that the defendants were seeking to capitalize on the public recognition of the plaintiff's characters. The

¹⁹The issue is thoroughly discussed in the Court's consideration of secondary meaning.

defendants' intent to capitalize gives rise to an inference that the defendants were successful in capitalizing on the plaintiff's reputation by confusing the public. *Markel v. Scovill Manufacturing Co.*, *supra*, 471 F.Supp. at 1252; *D C Comics, Inc. v. Powers*, 465 F.Supp. 843, 848 (S.D.N.Y.1978). Thus, the defendants' conscious imitation is evidence of likelihood of confusion.

The evidence of likelihood of confusion is substantial. The Court therefore finds that the plaintiff will probably succeed in proving that the defendants' use of the plaintiff's game characters is likely to cause confusion in the mind of the average consumer.

B. Irreparable Harm and Balancing of the Equities.

[42] The plaintiff need not present specific evidence of irreparable harm. Once the plaintiff proves the tendency of the defendants' conduct to deceive, the requirement of irreparable harm is satisfied. *Black Hills Jewelry Manufacturing Co. v. Gold Rush, Inc.*, *supra*, 633 F.2d at 753; *Markel v. Scovill Manufacturing Co.*, *supra*, 471 F.Supp. at 1254. The plaintiff has clearly established a tendency to deceive.

The Court's prior discussion of the competing equities in this case is also applicable to the plaintiff's cause of action under the Lanham Act. Without a preliminary injunction, the plaintiff will continue to be injured by the defendants' exploitation of the plaintiff's reputation and goodwill. *See Black Hills Jewelry Manufacturing Co. v. Gold Rush, Inc.*, *supra*, 633 F.2d at 753. Since the defendants will not suffer substantial hardship, the Court finds that the balancing of the equities favors the issuance of an injunction.

C. Public Interest.

[43] One of the policies underlying § 43(a) of the Lanham Act is the protection of consumers from misleading descriptions of products.

Since § 43(a) was passed as a consumer protection statute, the courts are not reluctant to allow a commercial plaintiff to obtain an injunction even where the likelihood of pecuniary injury to the plaintiff may be slight. Thus, under § 43(a), Congressional policy appears to encourage commercial companies to act as the fabled "vicarious avenger" of consumer rights. An injunction, as opposed to money damages, is no windfall to the commercial plaintiff. An injunction protects both consumers and the commercial plaintiff from continuing acts of false advertising. The fact that § 43(a) was passed to protect consumers as well as competitors is illustrated by the rule that a likelihood of consumer confusion is sufficient for injunctive relief. An injunction protects the consumer from continued false advertising.

Id. at 753 n.7 quoting J. McCarthy, Trademarks & Unfair Competition, § 27:5A at 250-51 (1973). The plaintiff has made a substantial showing that

the public is likely to be confused. Thus, an injunction in the instant case would further the public interest by protecting consumers from the danger of confusion created by the defendants' products.

D. Summary.

The plaintiff has made a substantial showing that it will probably succeed in proving that its game characters are nonfunctional, and that the defendants' use of the characters creates a likelihood of confusion. Although the evidence of secondary meaning is not as substantial, this does not preclude the Court from issuing a preliminary injunction.

[44] The record contains overwhelming evidence of the likelihood of confusion caused by the defendants' products. This confusion is evidence of the substantial injury which both the plaintiff and public will suffer if a preliminary injunction is not issued. In light of this injury, the Court is of the opinion that the plaintiff has made a sufficient showing that it will probably succeed in proving secondary meaning.²⁰ The Court therefore finds that the plaintiff is entitled to a preliminary injunction prohibiting the defendants from further violations of the Lanham Act.

An ORDER will be issued contemporaneously with this Memorandum Opinion.

MIDWAY MANUFACTURING CO. v. DIRKSCHNEIDER, et al.

No. 81-0-243

(United States District Court, D. Nebraska—Decided July 15, 1981)

215 USPQ 332

[See also 543 F.Supp. 466, 214 USPQ 417, and *supra* (D. Neb., July 15, 1981); 215 USPQ 336, and *infra* (D. Neb., July 15, 1981); 571 F.Supp. 282, 223 USPQ 83, 47 C.O.Bull.____ (D. Neb., Sept. 1, 1983)]

Action by Midway Manufacturing Co., against Dale Dirkschneider, and Harold Peterson, individually and doing business as A-1 Machines, Gerrit Kraayenbrink, individually and doing business as Soo Valley Dist. Co., and Venture Line, Inc., for copyright infringement,

²⁰[T]he court ordinarily is not required at an early stage to draw the fine line between a mathematical probability and a substantial possibility of success. This endeavor may, of course, be necessary in some circumstances when the balance of equities may come to require a more careful evaluation of the merits. But where the balance of other factors tips decidedly toward plaintiff a preliminary injunction may issue if plaintiff has raised questions so serious and difficult as to call for more deliberate investigation.

Dataphase Systems, Inc. v. C L Systems, Inc., *supra*, 640 F.2d at 113. See also note 1 *supra*.

Lanham Act violation, and Nebraska Deceptive Trade Practices Act violation. On defendant Venture Line, Inc.'s motion to dismiss. Defendants given ten days to submit brief with respect to suggested remedy of transfer under 28 U.S.C. 1406(a).

COPYRIGHTS

1. Jurisdiction of courts—Venue—In general

Venue in copyright actions is governed by 28 USC 1400(a) which provides that such cases may be instituted in district in which defendant may be found; for purposes of this venue provision, defendant is found in any district with which he has sufficient contacts to justify assertion of personal jurisdiction under *International Shoe Co. v. Washington*, 326 US 310.

Lindsey Miller Lerman, Omaha, Neb., David A. Gerber, Los Angeles, Calif., and Eric C. Cohen, Chicago, Ill., for plaintiff.

Mark Hunter, Omaha, Neb., for defendants Dirkschneider and Peterson.

Dennis Thomte, Omaha, Neb., for defendants Kraayenbrink and Venture Line, Inc.

URBOM, Chief Judge. This matter comes before the Court upon the motion to dismiss of the defendants, Venture Line, Inc. [Filing #37].

The plaintiff, Midway Manufacturing Co., is a manufacturer of coin-operated electronic video games. Midway has obtained copyright registrations on many of these games, including Galaxian, Pac-Man, and Rally-X. The plaintiff alleges that Venture Line and the other defendants are engaged in the manufacture, distribution, and sale of video games and printed circuit boards which are virtually identical to the plaintiff's Galaxian, Pac-Man and Rally-X games. The plaintiff contends that the conduct of the defendants infringes the plaintiff's copyrights, violates the Lanham Act, and violates the Nebraska Deceptive Trade Practices Act. For relief, the plaintiff seeks damages and an injunction prohibiting future infringement.

Venture Line's motion to dismiss raises two issues. First, the defendant contends that this Court lacks personal jurisdiction over Venture Line because of the dearth of contacts between the defendant and Nebraska. Second, the defendant claims that venue of this copyright action has been improperly laid in Nebraska. The resolution of each of these issues depends upon the same legal standard. *Testa v. Janssen*, 492 F.Supp. 198, 202, 208 USPQ 213, 216-217 (W.D. Pa.1980).

The plaintiff has attempted to obtain personal jurisdiction over Venture Line under Nebraska's long-arm statute. NEB. REV. STAT. § 25-536 (Reissue 1979). This statute permits a court to "exercise personal jurisdiction over a person * * * as to a cause of action arising from the person's * * * [t]ransacting any business in this state." NEB. REV. STAT. § 536(1)(a). Although the personal jurisdiction available under § 536 is not

always as extensive as that permitted by the United States Constitution,¹ the Court is of the opinion that the "transacting any business" language of § 536(1)(a) permits the assertion of personal jurisdiction over a nonresident to the full extent permitted by the due process clause. Thus, under § 536(1)(a), the scope of a court's personal jurisdiction over nonresident defendants is governed by the minimum contacts analysis found in *International Shoe Co. v. Washington*, 326 U.S. 310 (1945) and its progeny.

[1] The *International Shoe* analysis is also used to determine if venue is proper in copyright actions. Venue in copyright actions is governed by 28 U.S.C. § 1400(a) which provides that such cases "may be instituted in the district in which the defendant * * * may be found." For the purposes of this venue provision, a defendant is "found in any district with which he has sufficient contacts to justify the assertion of personal jurisdiction under *International Shoe*. *Mode Art Jewelers Co. v. Expansion Jewelry Ltd.*, 409 F.Supp. 921, 923 (S.D.N.Y.1976).

Under *International Shoe*, a court may not assert personal jurisdiction over a nonresident defendant unless he has "certain minimum contacts with [the forum] such that the maintenance of the suit does not offend 'traditional notions of fair play and substantial justice.'" *International Shoe Co. v. Washington*, *supra*, 326 U.S. at 316. When analyzing a defendant's contacts with a forum, the Court should consider a number of factors:

- (1) the nature and quality of the contacts with the forum state; (2) the quantity of contacts with the forum state; (3) the relation of the cause of action to the contacts; (4) the interest of the forum state in providing a forum for its residents; and (5) the convenience of the parties.

Aaron Ferer & Sons Co. v. Atlas Scrap Iron Co., 558 F.2d 450, 453 (8th Cir. 1977). Of these factors the most important are the first three. If the nature, quality and quantity of the contacts and the relation of the contacts to the litigation do not suggest sufficient minimum contacts, the remaining factors, standing alone, cannot form the basis for asserting personal jurisdiction over a nonresident defendant. *Aaron Ferer & Sons Co. v. American Compressed Steel Co.*, 564 F.2d 1206, 1210 n. 5 (8th Cir. 1977). See also *Worldwide Volkswagen Corp. v. Woodson*, 444 U.S. 286, 294 (1980). The plaintiff bears the burden of proving that the defendant has sufficient contacts to satisfy this standard. *Hetrick v. American Honda Motor Co.*, *supra*, 429 F.Supp. at 118.

¹In *Larimore v. Snyder*, 206 Neb. 64, 291 N.W.2d 241 (1980), the Nebraska Supreme Court held that, in a paternity action, consensual sexual intercourse occurring in Nebraska is not an act "causing tortious injury" within the meaning of Nebraska's long-arm statute. The court therefore concluded that the state trial court lacked jurisdiction over the nonresident defendant, even though the assertion of jurisdiction would have comported with the requirements of the due process clause. *Id.* at 68-69, 291 N.W.2d at 244-45.

Venture Line's contacts with the State of Nebraska are not extensive. The affidavit of Venture's Line's president, Joe York, suggests that the defendant has absolutely no contacts with Nebraska.² Among other facts, the affidavit indicates that Venture Line is an Arizona corporation having its only place of business in Tempe, Arizona. Venture Line has never had an office in Nebraska, nor has it employed an agent of any type in Nebraska. Venture Line is neither licensed nor authorized to do business in Nebraska. York also denies that Venture Line has ever sold any of its products in Nebraska, and claims that any Venture Line products found in Nebraska were sent here by third parties without the defendant's knowledge.

Notwithstanding York's affidavit, the record contains evidence of several potential contacts among the defendant, this litigation and Nebraska. Each of these contacts will be discussed briefly below.

During his deposition, Harold D. Peterson, a defendant in this action, testified that his business, A-1 Machines, had purchased a conversion kit from Venture Line. A-1 Machines is a partnership which operates and distributes video games in the Omaha area. [Plaintiff's Ex. #27, p. 3]. This purchase occurred at least one and a half years ago, and Peterson was unable to recall what type of game had been purchased. [Plaintiff's Ex. #27, p. 29; plaintiff's Ex. #28, pp. 4-5].

Although Peterson's recollection of the sale conflicts with York's affidavit, the Court need not resolve this dispute. The Court will rather assume that A-1 Machines did purchase a conversion kit from Venture Line in the fall of 1979. The Court will make this assumption because this isolated sale is of little jurisdictional significance.

One of the primary factors in assessing the constitutionality of a court's assertion of personal jurisdiction is the relationship between the defendant's forum contacts and the litigation. *Aaron Ferer & Sons Co. v. American Compressed Steel Co.*, supra, 564 F.2d at 1210-11. See also *Shaffer v. Heitner*, 433 U.S. 186, 207-08 (1977). The record here reveals that the plaintiff did not acquire rights in any of these games until November, 1979. [Complaint Ex. A]. The first copyright registration was obtained in March 1980. [Complaint Ex. B]. Thus, the purported sale from Venture Line occurred prior to the conduct which forms the basis of this litigation. See generally *Peterson v. Crown Financial Corp.*, 435 F.Supp. 901, 903 (D. Neb. 1977). In addition, it appears that the conversion kit purchased from Venture Line was not for a game which is involved in this litigation. [Plaintiff's Ex. #27, p. 29]. Since this contact is

²York's affidavit is attached to Filing #37. A second York affidavit has been submitted to the Court. This affidavit states that a search of the defendant's records revealed no documents evidencing any sales by Venture Line in Nebraska. This affidavit will also be placed in the file of this case.

unrelated to this litigation, the Court will give the sale little weight in its assessment of the propriety of asserting personal jurisdiction over the defendant.

A second possible contact between Venture Line and Nebraska involves the status of Soo Valley Distributing Co. as exclusive distributor for Venture Line in Nebraska. The plaintiff contends that Soo Valley is in fact Venture Line's exclusive distributor in Nebraska. In support of this contention, the plaintiff has offered the affidavit of W. L. Curley, general manager of Phillip Moss & Co. located in Des Moines, Iowa [Filing #59].

According to Curley's affidavit, Curley called Venture Line in Tempe, Arizona, to order a conversion kit. The person with whom Curley spoke told him that Venture Line would not sell him a conversion kit because Soo Valley was Venture Line's exclusive distributor in Iowa and Nebraska. Because of this obstacle, Curley apparently ordered conversion kits for delivery in Missouri where Venture Line had no distributor. Curley at the present time is unable to identify the person who took his order and gave him this information. Shortly after this telephone conversation, Curley talked to Gerritt Kraayenbrink from Soo Valley. During this conversation, Curley denied that he had ordered any conversion kits. Both of these conversations occurred in June of 1980.

The affidavit and deposition of York directly contradict the affidavit of Curley. In his deposition, York unequivocally denies that Venture Line had made Soo Valley its exclusive distributor.³ Moreover, York disclaimed any knowledge of what Soo Valley did with the Venture Line products sold to it.

Although the Court is not inclined to lightly disregard the affidavit of Curley, the affidavit does lack credibility in one important respect. The affidavit does not reveal who told Curley about the purported relationship between Soo Valley and Venture Line. Without this information, the Court can only speculate about the reliability of the information relayed to Curley. In light of York's sworn statements that Soo Valley was not Venture Line's distributor, and that Venture Line was unaware of where Soo Valley sold Venture Line's products, the Court must find that the plaintiff has failed to prove that Soo Valley was Venture Line's distributor in Nebraska. [Plaintiff's Ex. #25, pp. 121-123].

During the time period involved in this litigation, Venture Line purchased advertisements in two trade magazines circulated throughout the country. These advertisements were published for approximately three issues in each magazine during late 1980 and early 1981. The primary purpose of these advertisements was to solicit new video game ideas from inventors. This purpose is evidenced by the language used in the adver-

³York's testimony is corroborated by Gerrit Kraayenbrink from Soo Valley Distributing Co. [Plaintiff's Ex. #26, pp. 121-25].

tisements themselves. Although these advertisements did not refer to any specific games, York admitted that the advertisements were also intended to generate sales of circuit boards currently being produced by Venture Line. York also testified that the advertisements were directed at customers in Nebraska as well as other states. In conjunction with this advertising, Venture Line maintained a nationwide toll free number. York was unaware of any time when the toll free number had been used for a call from Nebraska. [Plaintiff's Ex. #24, pp. 97-108].

This advertising and maintenance of a toll free number suggests an intent on the part of Venture Line to purposefully avail itself of the privilege of conducting business within the forum. However, these advertisements, which presumably circulated in Nebraska, were only published for a short time, and are not evidence of a continuous contact between the defendant and Nebraska. Moreover, the advertisements are only tangentially related to the subject matter of this litigation, since their primary purpose was to solicit game ideas from inventors. Thus, the Court is of the opinion that, although this contact with Nebraska is not without some significance, it alone cannot provide the basis for asserting personal jurisdiction over Venture Line. *Rush v. Savchuk*, 444 U.S. 320, 328 (1980).

The last contact which warrants consideration here is the presence of Venture Line's products in Nebraska. Venture Line sold printed circuit boards to Soo Valley in Iowa. The circuit boards were for the games similar to those of the plaintiff. [Plaintiff's Ex. #25, pp. 126-27, 129, 131-132, 134-35; plaintiff's Ex. #26, pp. 54-55, 59, 62-63, 136]. These printed circuit boards were then incorporated into video games which Soo Valley later sold to A-1 Machines.⁴ [Plaintiff's Ex. #26, pp. 74, 77-78; plaintiff's Ex. #27, pp. 15-16]. The plaintiff contends that since Venture Line's printed circuit boards had no substantial noninfringing use, Venture Line is liable for contributory infringement based on the other defendants' infringing activity in Nebraska. Similarly, the plaintiff argues that under the Lanham Act, Venture Line is also liable for its role in misleading purchasers in Nebraska because it placed into the hands of the other defendants the means for deceiving these purchasers. The defendants' only response to these contentions is that Venture Line's products do not violate either the copyright laws or the Lanham Act.

The plaintiff's position is similar to those cases in which personal jurisdiction is asserted over a nonresident manufacturer whose products cause a tortious injury within the forum. A number of courts have held that a nonresident manufacturer is subject to the personal jurisdiction

⁴The Court recognizes that all the games delivered to A-1 did not contain printed circuit boards manufactured by Venture Line. However, for the purposes of this discussion, the Court will assume at least some of the games purchased by A-1 Machines from Soo Valley contained Venture Line printed circuit boards.

when the manufacturer has placed into the stream of commerce a product which causes tortious injury to a resident of the forum. Personal jurisdiction is appropriate in these cases even if the product has been delivered into the forum by a middleman having no relationship to the nonresident manufacturer. See generally *Glover v. Wagner*, 462 F.Supp. 308, 310-11 (D.Neb. 1978); *Hetrick v. American Honda Motor Co.*, supra, 429 F.Supp. at 118-19.

This analysis has received implicit approval from the Supreme Court in *World-Wide Volkswagen*:

When a corporation "purposefully avails itself of the privilege of conducting activities within the forum State," *Hanson v. Denckla*, 357 U.S., at 253, it has clear notice that it is subject to suit there, and can act to alleviate the risk of burdensome litigation by procuring insurance, passing the expected costs on to customers, or, if the risks are too great, severing its connection with the State. Hence if the sale of a product of a manufacturer or distributor such as Audi or Volkswagen is not simply an isolated occurrence, but arises from the efforts of the manufacturer or distributor to serve, directly or indirectly, the market for its product in other States, it is not unreasonable to subject it to suit in one of those States if its allegedly defective merchandise has there been the source of injury to its owner or to others. The forum State does not exceed its powers under the Due Process Clause if it asserts personal jurisdiction over a corporation that delivers its products into the stream of commerce with the expectation that they will be purchased by consumers in the forum State. Compare *Gray v. American Radiator & Standard Sanitary Corp.*, 22 Ill. 2d 432, 176 N.E.2d 761 (1961).

World-Wide Volkswagen v. Woodson, supra, 444 U.S. at 297-98. The Fifth Circuit has interpreted this language from *World-Wide Volkswagen* to permit the assertion of jurisdiction when the nonresident manufacturer has a reasonable expectation that his product, once placed in commerce, will reach the forum state. It is not necessary that the nonresident manufacturer have actual knowledge that his product will be marketed in the forum state. *Oswalt v. Scripto, Inc.*, 616 F.2d 191, 198-202 (5th Cir. 1980).

The record in the instant action contains little evidence suggesting that *Venture Line* should have known that its product would reach Nebraska. *Venture Line* did engage in advertising which was in part directed at Nebraska. This evidence, however, is of little probative value since the advertising was not primarily directed at soliciting purchasers for *Venture Line's* product. In light of this fact, the Court refuses to infer from the advertisement that *Venture Line* should have known that its product would be marketed in Nebraska.

The only other evidence relevant to *Venture Line's* expectations is the testimony of York. York disclaimed any knowledge of the ultimate disposition of *Venture Line's* products after they had been delivered to *Soo Valley's* business in Iowa. This testimony suggests that the transfer of *Venture Line's* printed circuit boards to Nebraska was the result of the

unilateral action of Soo Valley. However, "the mere 'unilateral activity of those who claim some relationship with a nonresident defendant cannot satisfy the requirement of contact with the forum state.' " *World-Wide Volkswagen v. Woodson*, supra, 444 U.S. at 298, quoting *Hanson v. Denckla*, 357 U.S. 235, 253 (1958). Since the presence of Venture Line's product in Nebraska was the result of the unilateral action of another, the presence of Venture Line's circuit boards in Nebraska are not a significant contact with Nebraska, even though they arguably may be causing tortious injury within the forum. See *Hutson v. Fehr Brothers, Inc.*, 584 F.2d 833, 835-37 (8th Cir. 1978) (en banc), cert. denied 439 U.S. 983 (1978); *Red River Transport and Development Co. v. Custom Airmotive, Inc.*, 497 F.Supp. 425, 427-29 (D.N.D. 1980). See also *Burwood Products Co. v. Marsel Mirror & Glass Products, Inc.*, 468 F.Supp. 1215, 1219, 202 USPQ 813, 815-816 (E.D.Ill.1979) (copyright action in which evidence established that defendant should have foreseen that his products would be distributed in forum).

The preceding discussion shows the substantial deficiencies in the few contacts which Venture Line has with this forum. Viewing these contacts as a whole, the Court cannot say that the plaintiff has shown that the defendant has sufficient contacts with the forum to satisfy the fairness standard of *International Shoe*. The Court therefore finds that it lacks personal jurisdiction over Venture Line.

The defendant's motion requests that it be dismissed from this action. The plaintiff, however, notes that the more appropriate remedy is transfer under 28 U.S.C. § 1406(a). The defendant has not addressed this issue. The Court will therefor defer ruling on this issue until the defendant has briefed the issue.

IT THEREFORE HEREBY IS ORDERED that the defendants shall have ten days from the date of this order in which to submit a brief with respect to the suggested remedy of transfer under 28 U.S.C. § 1406(a).

MIDWAY MANUFACTURING CO. v. DIRKSCHNEIDER, et al.

No. 81-0-243

(United States District Court, D. Nebraska—Decided July 15, 1981)

215 USPQ 336

[See also 543 F.Supp. 466, 214 USPQ 417, and *supra* (D. Neb., July 15, 1981); 215 USPQ 332, and *supra* (D. Neb., July 15, 1981); 571 F.Supp. 282, 223 USPQ 83, 47 C.O.Bull.____ (D. Neb., Sept. 1, 1983)]

Action by Midway Manufacturing Co., against Dale Dirkschneider, and Harold Peterson, individually and doing business as A-1 Machines, Gerrit Kraayenbrink, individually and doing business as Soo Valley Dist. Co., and Venture Line, Inc., for copyright infringement, Lanham Act violation, and Nebraska Deceptive Trade Practices Act violation. On defendants' exception to writ to seize and impound infringing articles. Defendants' exceptions denied in part.

COPYRIGHTS**1. Injunction—Copyrights**

Although Rule 3 of Supreme Court Rules of Practice in Copyright Actions requires that impoundment order must be secured by two sureties, 6 USC 6, providing that certain corporate sureties are sufficient where law requires two sureties, must be considered.

2. Injunctions—Copyrights

Supreme Court Rule 4 requires that bond shall be in amount not less than twice reasonable value of seized items; however, fact that bond is inadequate does not mean that impounding order should be dissolved, but rather plaintiff is given opportunity to submit adequate bond.

3. Injunctions—Copyrights

Supreme Court Rule 5 does not require service of affidavit at time of seizure, but merely states that service of affidavit shall be made by marshal.

Lindsey Miller Lerman, Omaha, Nebr., David A. Gerber, Los Angeles, Calif., and Eric C. Cohen, Chicago, Ill., for plaintiff.

Mark Hunter, Omaha, Nebr., for defendants Dirkschneider and Peterson.

Dennis Thomte, Omaha, Nebr., for defendants Kraayenbrink and Venture Line, Inc.

URBOM, *Chief Judge*. This matter comes before the Court upon the defendants' exception to the writ to seize and impound infringing articles [Filing #33]. This motion was filed on behalf of defendants Gerrit Kraayenbrink, individually and d/b/a Soo Valley Distributing Co.

The exception to the impoundment order raises three issues. Each of these issues will be discussed separately.

[1] The defendants' first contention is that the impoundment order must be secured by two sureties. This contention is based on Rule 3 of the

Supreme Court Rules of Practice in Copyright Actions. 17 U.S.C. foll. § 501 (1976). Although this rule does require two sureties, the defendants have failed to consider a subsequently enacted statutory provision, 6 U.S.C. § 6. This statute provides:

Whenever any recognizance, stipulation, bond, or undertaking conditioned for the faithful performance of any duty, or for doing or refraining from doing anything in such recognizance, stipulation, bond, or undertaking specified, is *by the laws of the United States required or permitted to be given with one surety or with two or more sureties*, the execution of the same or the guaranteeing of the performance of the condition thereof shall be sufficient when executed or guaranteed solely by a corporation incorporated under the laws of the United States or of any State having power to guarantee the fidelity of persons holding positions of public or private trust, and to execute and guarantee bonds and undertakings in judicial proceedings (emphasis supplied).

In light of this statute, the Court finds that one corporate surety is sufficient to secure the impoundment order issued in this action. Dealer Advertising Development, Inc. v. Barbara Allan Financial Advertising, Inc., 197 USPQ 611 (W.D. Mich. 1977).

[2] The defendants' next challenge to the impoundment order concerns the amount of the bond. Supreme Court Rule 4 requires that the bond shall be in an amount not less than twice the reasonable value of the seized items. According to Venture Line's president, Joe York, the articles seized from Venture Line have a value of approximately \$66,000.00 [York Deposition p. 164]. The affidavit of defendant Kraayenbrink states that the value of the articles seized from Soo Valley Distributing is approximately \$25,000.00 [Filing #33 attachment]. The plaintiff's only evidence of the value of the seized articles is the affidavit of Eric C. Cohen [Filing #8]. This affidavit, however, was executed prior to the seizure. The affidavit therefore is of little probative value in assessing the value of the items actually seized. The plaintiff has implicitly recognized this fact by unilaterally increasing the amount of the bond beyond that required by the Cohen affidavit [Filing #42].

In light of the defendants' estimates of value, the Court is of the opinion that the plaintiff's bond is inadequate. This, however, does not mean that the impounding order should be dissolved. Rather, the plaintiff shall be given an opportunity to submit an adequate bond. See Rule 7 of the Supreme Court Rules of Practice in Copyright Actions. In providing this bond, the plaintiff should make appropriate provision for the value of the articles seized from A-1 Machines. The record is barren of any evidence of the value of these goods. In any event, the bond should be no less than \$182,000.00, twice the value of the goods seized from Venture Line and Soo Valley Distributing Co.

[3] The defendants' final challenge to the impoundment concerns the United States Marshal's failure to serve a copy of the Cohen affidavit on

the defendants at the time of seizure. The defendants contend that Supreme Court Rule 5 requires service of the affidavit at the time of seizure. The Court is of the opinion that Rule 5 contains no such requirement. It merely states that service of the affidavit shall be made by the Marshal. Since the affidavit was served on the defendants, there is no merit to the contention that the requirements of Rule 5 were not satisfied.

IT IS HEREBY ORDERED that, within ten (10) days of the date of this order, the plaintiff shall post an appropriate bond to secure the impoundment.

IT IS FURTHER ORDERED that, in all other respects, the defendants' exceptions to the impoundment are DENIED.

**MIDWAY MANUFACTURING COMPANY, Plaintiff, Appellant, v.
OMNI VIDEO GAMES, INC., Ferncrest Distributors, Inc., Competitive
Video, Inc., Chens International, Inc., Defendants, Appellees**

No. 81-1461

*(United States Court of Appeals, First Circuit—Argued November 4,
1981—Decided December 24, 1981)*

668 F.2d 70

In the course of a copyright infringement suit for alleged infringement of copyrights on electronic video games, the plaintiff filed a motion to obtain an order to impound any infringing items. At a subsequent time, the United States District Court for the District of Rhode Island, Francis J. Boyle, J., vacated its order of impoundment, ordered that any evidence obtained during the course of the impoundment could not be introduced at trial and ordered the plaintiff to bear the cost of attorney fees incurred by the defendants when they sought return of the impounded property. An appeal was filed. The Court of Appeals, Coffin, Chief Judge, held that the decision of the District Court could not be the subject of an interlocutory order, since the possibility of irreparable harm from any of the orders was only minimal and, further, the decision was an exercise of the District Court's discretion.

Appeal denied.

1. Federal Courts

Criteria for determining when interlocutory appeal is permissible require that order being appealed must be final order that presents issue of law, not one of discretion, that is separable from issues to be presented at trial and that cannot await resolution until appeal from final judgment because irreparable harm would be probable.

2. Federal Courts

Decision of district court to vacate order of impoundment in action for alleged infringement of copyrights on electronic video games could not be subject to interlocutory appeal, since

there was no possibility of irreparable harm from that decision in that original impoundment resulted in seizure of only one allegedly infringing machine and release of that one machine would impose only minimal threat to plaintiff's rights. 17 U.S.C.A. § 503(a).

3. Federal Courts

Decision of district court to vacate order of impoundment in action for alleged infringement of copyrights on electronic video games could not be subject of interlocutory appeal, since decision was exercise of district court's discretion in ordering or vacating order of impoundment. 17 U.S.C.A. § 503(a).

4. Federal Courts

In action for alleged infringement of copyrights on electronic video games, order to suppress all evidence obtained as result of execution of impoundment order could be appealed after final judgment without threat of irreparable injury, and, therefore, that order could not be subject of interlocutory appeal. 17 U.S.C.A. § 503(a).

5. Federal Courts

District court's order that defendants could be awarded attorney fees incurred to challenge impoundment for alleged infringement of copyrights on electronic video games could not be subject to interlocutory appeal, since that order did not rise to level of necessary threat of irreparable harm in that issue was merely one of relatively small amount of money that could be reimbursed at later date. 17 U.S.C.A. § 503(a).

David A. Gerber, Los Angeles, Cal., with whom Leonard J. Santisi, Curtis, Morris & Safford, New York City, Donald L. Welsh, Fitch, Even, Tabin, Flannery & Welsh, Chicago, Ill., Loeb & Loeb, Los Angeles, Cal., James E. Purcell and Tillinghast, Collins & Graham, Providence, R. I., were on brief, for plaintiff, appellant.

Robert D. Wieck, Providence, R. I., with whom Richard W. MacAdams and Adler, Pollack & Sheehan, Inc., Providence, R. I., were on brief, for defendants, appellees.

Before COFFIN, Chief Judge, DAVIS, Judge,* BREYER, Circuit Judge.

COFFIN, *Chief Judge*. In the course of a suit against defendant-appellee for infringement of its copyrights of the electronic video games PAC-MAN, RALLY-X, and GALAXIAN, appellant filed a motion for an *ex parte* hearing to obtain an order to impound any infringing items found within appellees' possession at certain locations. See 17 U.S.C. §503(a). The court's issuance of the impoundment order led to seizure of one allegedly infringing version of PAC-MAN. Several days later, however, the court vacated its order to impound at appellees' request, finding that the *ex parte* impoundment proceeding had been unnecessary and had been based upon inaccurate information. The court ordered that any evidence obtained in the course of the impoundment procedure could not be introduced at trial and that appellant was to bear the cost of at-

*United States Court of Claims, sitting by designation.

torneys' fees incurred by appellees when they sought return of the impounded property.

Appellant challenges the court's decision to vacate the impoundment order and its imposition of the sanctions of suppression of the evidence and the award of attorneys' fees. In its brief it addresses incompletely and in oral argument not at all the one issue we deem dispositive of this appeal—the existence or not of appellate jurisdiction under the “collateral order” doctrine.

[1] The well-established criteria for determining when an interlocutory appeal is permissible require that the order being appealed must be a final order that presents an issue of law, not one of discretion, that is separable from the issues to be presented at trial, and that cannot await resolution until appeal from the final judgment because irreparable harm would be probable. *See, e.g., Cohen v. Beneficial Industrial Loan Corp.*, 337 U.S. 541, 546–47, 69 S.Ct. 1221, 1225–1226, 93 L.Ed. 1528 (1949); *In re Continental Investment Corp.*, 637 F.2d 1, 4 (1st Cir. 1980), *quoting United States v. Sorren*, 605 F.2d 1211, 1213 (1st Cir. 1979). The first requirement would seem to be met; the court's order vacating the impoundment, suppressing the evidence, and allowing appellee to apply for attorneys' fees is final. Our difficulty, however, lies in identifying any threat of irreparable injury that would be posed by allowing the several issues to await review until the trial court has issued a final judgment.

[2] We see no possibility of irreparable harm from the court's decision to vacate the impoundment order. The primary purpose of impoundment is to maintain the feasibility of the eventual destruction of items found at trial to violate the copyright laws by safeguarding them during the pendency of the action. *Jewelers' Circular Publishing Co. v. Keystone Publishing Co.*, 274 F. 932, 936 (S.D.N.Y.1921), *aff'd*, 281 F. 83 (2d Cir.), *cert. denied*, 259 U.S. 581, 42 S.Ct. 464, 66 L.Ed. 1074 (1922); 3 Nimmer on Copyright § 14.07 at 14–59. Because the impoundment resulted in the seizure of only one allegedly infringing machine, the release of that one machine will impose only a minimal threat to appellant's rights if indeed appellees are found to have violated those rights. What injury may occur can be remedied through the award of damages and injunctive relief. *Compare Swift & Company Packers v. Compania Colombiana del Caribe*, 339 U.S. 684, 691, 70 S.Ct. 861, 866, 94 L.Ed. 1206 (1950) (pretrial attachment of ship immediately appealable because attachment both secured defendants' appearance in court and ensured that judgment favorable to plaintiff would be honored).

[3] In addition, when we are asked to review not a question of controlling law but an exercise of a judge's discretion that depended upon the particular facts before him, this factor mitigates against immediate review. *United States v. Sorren*, *supra*, 605 F.2d at 1215. The statute authorizing impoundment states that a judge “may” order impoundment at any time

while an action is pending on terms he deems reasonable, 17 U.S.C. § 503(a), thereby apparently establishing a discretionary power to order impoundment. 3 Nimmer on Copyright § 14.07 at 14-55. The power to vacate an order to impound would seem to be similarly discretionary. Because questions of the exercise of the judge's discretion are less likely to be reversed and offer less reason for the appellate court to intervene to guide the trial court's considerations, they present a lower likelihood of harm than a decision of law and therefore less cause for immediate appeal. *In re Continental Investment Corp.*, *supra*, 637 F.2d at 7.

[4] Similarly, the order to suppress all evidence obtained as a result of the execution of the impoundment order* could be appealed after final judgment without threat of irreparable injury. First, the threat of harm is diminished by the fact that appellant appears to have other evidence of the alleged infringement and may obtain more through discovery. In short, the suppressed evidence may not be determinative of the outcome of the trial. Second, what threat of harm there may be we do not see as irreparable. Even if the suppression order were reversed on final appeal and a new trial ordered, at which time the impounded PAC-MAN game may have disappeared so that it could not be introduced into evidence in a new trial, appellant still would have in unaltered form the accounts by the individuals involved in the seizure of what they saw and seized. All that might be lost is the one machine that was seized and released, but this harm does not seem irreparable given the accounts of the seizure that would remain. The officials involved in the seizure would be neutral and therefore credible witnesses and the engineer who accompanied them, although employed by appellant, could verify technical details.

[5] Lastly, as to the court's order that appellees may be awarded attorneys' fees incurred to challenge the impoundment, we again do not find the necessary threat of irreparable harm. Where the issue is merely one of a relatively small amount of money that may be reimbursed at a later point if a court on final appeal finds the award to have been unwarranted, appellants are not irreparably injured by having to pay any amount owed now. *See Judd v. First Federal Savings & Loan Ass'n*, 599 F.2d 820, 823 (7th Cir. 1979) (per curiam).

Although we may also question whether the criterion of separability is satisfied by the issues presented for immediate appeal, we rest our denial of jurisdiction on the absence of any threat of irreparable harm. *See In re Continental Investment Corp.*, *supra*, 637 F.2d at 6-7.

APPEAL DENIED.

*We premit the question, however, whether appellant has properly raised the issue of the suppression order on appeal. It appeals from the June 11, 1981, order vacating the impoundment, an order that makes no reference to the May 13 ruling from the bench that required suppression of the evidence.

Gene MILLER, Plaintiff-Appellee, v. UNIVERSAL CITY STUDIOS, INC.,
et al., Defendants-Appellants

No. 78-3772

(United States Court of Appeals, Fifth Circuit—July 23, 1981)

650 F.2d 1365. 212 USPQ 345

[See also 460 F.Supp. 984, 200 USPQ 232, 42 C.O.Bull. 529 (S.D. Fla., Oct. 31, 1978)]

Author of book concerning actual kidnapping incident brought copyright infringement action against film maker, television network and television station owner alleging that a made-for-television movie dramatizing the kidnapping infringed upon his copyrighted book. The United States District Court for the Southern District of Florida, 460 F.Supp. 984, entered judgment in favor of author, and defendants appealed. The Court of Appeals, Roney, Circuit Judge, held that: (1) although there was sufficient evidence to support finding of infringement and a verdict for author under correct theories of copyright law, short erroneous statement of law instructing jury that labor of research by author was protected by copyright, which was imbedded in a field of proper instructions, was reversible error, and (2) receipt of transcribed portions of trial testimony by defendants' expert witness constituted a violation of sequestration order; thus, trial court did not err in refusing to allow expert to testify.

Reversed and remanded.

1. Copyrights and Intellectual Property

Copyright protection extends only to an author's expression of facts and not to facts themselves; similarly, copyright protects only expression of ideas and not the ideas. 17 U.S.C.A. § 102(b).

2. Copyrights and Intellectual Property

Directories can be copyrighted; however, mere use of information contained in a directory without a substantial copying of format does not constitute infringement.

3. Copyrights and Intellectual Property

Labor of research by an author is not protected by copyright.

4. Federal Civil Procedure

If charge as a whole correctly instructs jury, no reversible error may be committed even though a portion of charge may be technically imperfect.

5. Copyrights and Intellectual Property

Federal Courts

Although there was sufficient evidence to support finding of infringement and a verdict for plaintiff under correct theories of copyright law, short erroneous statement of law instructing jury that labor of research by author was protected by copyright, which was imbedded in a field of proper instructions, was reversible error in suit alleging that a made-for-television movie dramatizing kidnapping infringed upon a copyrighted book depicting the unsuccessful ransom attempt.

6. Federal Civil Procedure

Receipt of transcribed portions of trial testimony by defendants' expert witness in copyright infringement trial constituted a violation of sequestration order; thus, trial court did not err in refusing to allow expert to testify. Fed.Rules Evid. Rules 615, 703, 28 U.S.C.A.

7. Federal Civil Procedure

Purpose of sequestration rule is to prevent shaping of testimony by one witness to match that of another and to discourage fabrication and collusion. Fed.Rules Evid. Rule 615, 28 U.S.C.A.

8. Federal Civil Procedure

Expert witness is not automatically exempt from sequestration orders. Fed.Rules Evid. Rules 615, 703, 28 U.S.C.A.

9. Evidence**Witnesses**

In copyright infringement suit brought by author of book depicting unsuccessful kidnap ransom attempt against makers of made-for-television movie dramatizing the kidnapping, trial judge did not err in allowing plaintiff to testify as a lay witness regarding similarities between his book and defendants' movie or in refusing to allow defendants to cross-examine plaintiff and his expert witness regarding similarities between books they had authored and earlier books by other authors on the same subject. Fed.Rules Evid. Rule 701, 28 U.S.C.A.

10. Evidence

Admission of evidence is committed to sound discretion of trial court.

11. Copyrights and Intellectual Property

To prevail on a claim of copyright infringement, a plaintiff must prove ownership of copyright and copying by alleged infringer.

12. Copyrights and Intellectual Property

Copyright infringement is ordinarily established by proving access to the copyright material and substantial similarity between the two works and a defendant can rebut such a showing by offering evidence that his work was independently created without reference to prior work.

13. Copyrights and Intellectual Property

A copyright, unlike a patent, does not confer an absolute monopoly over the expression but only a right of control over the works which are derived from the copyrighted work.

14. Copyrights and Intellectual Property

In suit alleging that made-for-television movie dramatizing a kidnapping infringed upon a copyrighted book depicting the unsuccessful ransom attempt, it was not error for court to allow plaintiff to introduce various scripts used in developing the movie to negate the inferences of independent creation.

15. Copyrights and Intellectual Property

Plaintiff in a copyright infringement case may recover both damages sustained by him and profits earned by the infringer as result of unlawful infringement. 17 U.S.C. (1970 Ed.) § 101(b).

Barry R. Davidson, Miami, Fla., Youngman, Hungate & Leopold, Louis P. Petrich, Los Angeles, Cal., for defendants-appellants.

Fine, Jacobson, Block & Semet, Irwin J. Block, Joseph H. Serota, Miami, Fla., Arthur R. Miller, Cambridge, Mass., for plaintiff-appellee.

Appeal from the United States District Court for the Southern District of Florida.

Before RONEY, HILL and KRAVITCH, Circuit Judges.

RONEY, *Circuit Judge*. A sensational kidnapping, committed over a decade ago, furnishes the factual backdrop for this copyright infringement suit. The issue is whether a made-for-television movie dramatizing the crime infringes upon a copyrighted book depicting the unsuccessful ransom attempt. After careful and lengthy study and consideration, we conclude that the verdict for plaintiff must be reversed and the cause remanded for a new trial because at the request of plaintiff and over defendants' objection, the case was presented and argued to the jury on a false premise: that the labor of research by an author is protected by copyright.

The decision to reverse is made more difficult because the record and the arguments to this Court reveal sufficient evidence to support a finding of infringement and a verdict for plaintiff under correct theories of copyright law. Plaintiff's presentation and argument to the jury, however, make it improper to conclude that the short erroneous instruction, imbedded in a field of proper instructions, was harmless error.

Facts

The facts are fully developed in the district court's opinion, *Miller v. Universal City Studios, Inc.*, 460 F.Supp 984 (S.D.Fla. 1978). A synopsis will suffice for purposes of this appeal.

In December 1968 the college-aged daughter of a wealthy Florida land developer was abducted from an Atlanta motel room and buried alive in plywood and fiberglass capsule. A crude life-support system kept her alive for the five days she was underground before her rescue. Gene Miller, a reporter for the *Miami Herald*, covered the story and subsequently collaborated with the victim to write a book about the crime. Published in 1971 under the title *83 Hours Till Dawn*, the book was copyrighted along with a condensed version in *Reader's Digest* and a serialization in the *Ladies Home Journal*. The co-author has assigned her interest in this litigation to Miller.

In January 1972 a Universal City Studios (Universal) producer read the condensed version of the book and thought the story would make a good television movie. He gave a copy of the book to a scriptwriter, who immediately began work on a screenplay. Although negotiations for purchase of the movie rights to *83 Hours Till Dawn* were undertaken by Universal, no agreement with Miller was ever reached. The scriptwriter was eventually advised that use of the book in completing the script was "verboden." The movie was completed, however, and aired as an ABC Movie of the Week, *The Longest Night*.

The evidence at trial was conflicting on whether the scriptwriter relied almost entirely on the book in writing the screenplay or whether he arrived at his version of the kidnapping story independently. Both plaintiff and his expert witness testified to numerous similarities between the works. The jury, which had copies of the book and viewed the movie twice during the trial, found the movie infringed Miller's copyright and awarded him over \$200,000 in damages and profits.

The most substantial question presented on appeal is whether the district court erred in instructing the jury that "research is copyrightable." Because the Court finds reversible error in this regard, other issues raised on this appeal will be discussed only as necessary to avoid further confusion on retrial.

Is Research Copyrightable?

The district court instructed the jury that if an author engages in research on factual matters, "his research is copyrightable." This instruction, at best confusing, at worst wrong, was given with some reluctance by the trial court over the strenuous objection of defendants on the urging by plaintiff, "That's the heart of the case."

As it develops on appeal, plaintiff may have won without the instruction, but later explanation by the trial court and the brief on appeal convinces this Court that the idea conveyed to the jury by the court and trial counsel contained an erroneous view of the law. In context, the instruction is found in this portion of the extended jury charge:

Copyrightability is best defined in terms of what can and cannot be copyrighted. Ideas can never be copyrighted. Only the particular expression of an idea can be copyrighted. A general theme cannot be copyrighted but its expression throughout the pattern of the work, the sequence of its events, the development of the interplay of its characters, and its choice of detail and dialogue can be copyrighted. If, however, the expression of the idea necessarily follows from the idea to such an extent that the idea is capable of expression only in a more or less stereotyped form, it is not copyrightable.

Similarly, in a case like the instant one, which deals with factual matters such as news events, the facts themselves are not copyrightable but the form of expression of the facts and their arrangement and selection are copyrightable. *Moreover, if an author, in writing a book concerning factual matters, engages in research on those matters, his research is copyrightable.* As was the case with ideas, if the expression arrangement and selection of the facts must necessarily, by the nature of the facts, be formulated in given ways then they are not copyrightable. (Challenged instruction underlined).

[1] It is well settled that copyright protection extends only to an author's expression of facts and not to the facts themselves.¹ See, e.g., *Rosemont*

¹Similarly, a copyright protects only the expression of ideas and not the ideas. The idea-expression dichotomy was given express statutory recognition in the 1976 Copyright Act. Section 102(b) provides: "In no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principal, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such a work." 17 U.S.C.A. § 102(b).

Enterprises, Inc. v. Random House, Inc., 366 F.2d 303, 309 (2d Cir. 1966), *cert. denied*, 385 U.S. 1009, 87 S.Ct. 714, 17 L.Ed.2d 546 (1967); *Chicago Record-Herald Co. v. Tribune Association*, 275 F. 797, 798-99 (7th Cir. 1921); *Alexander v. Haley*, 460 F.Supp. 40, 45 (S.D.N.Y.1978); *Lake v. Columbia Broadcasting System*, 140 F.Supp. 707, 708-09 (S.D.Cal.1956). This dichotomy between facts and their expression derives from the concept of originality which is the premise of copyright law. Under the Constitution, copyright protection may secure for a limited time to "Authors . . . the exclusive Right to their respective Writings." U.S.Const. Art, I, §8, cl. 8. An "author" is one "to whom anything owes its origin; originator; maker; one who completes a work of science or literature." *Burrow-Giles Lithographic Co. v. Sarony*, 111 U.S. 53, 58, 4 S.Ct. 279, 281, 28 L.Ed. 349 (1884). Obviously, a fact does not originate with the author of a book describing the fact. Neither does it originate with one who "discovers" the fact. "The discoverer merely finds and records. He may not claim that the facts are 'original' with him although there may be originality and hence authorship in the manner of reporting, i.e., the 'expression,' of the facts." 1 M. Nimmer, *Nimmer on Copyright* § 2.03[E], at 2-34 (1980). Thus, since facts do not owe their origin to any individual, they may not be copyrighted and are part of the public domain available to any person.

The district court's charge to the jury correctly stated that facts cannot be copyrighted. Nevertheless, in its order denying defendants' motion for a new trial the court said it viewed "the labor and expense of the research involved in the obtaining of those uncopyrightable facts to be intellectually distinct from those facts and more similar to the expression of the facts than to the facts themselves." *Miller v. Universal City Studios, Inc.*, 460 F.Supp. at 987. The court interpreted the copyright law to reward not only the effort and ingenuity involved in giving expression to facts, but also the efforts involved in discovering and exposing facts. In its view, an author could not be expected to expend his time and money in gathering facts if he knew those facts, and the profits to be derived therefrom, could be pirated by one who could then avoid the expense of obtaining the facts himself. Applying this reasoning to the case at bar, the court concluded "[i]n the age of television 'docudrama' to hold other than research is copyrightable is to violate the spirit of the copyright law and to provide to those persons and corporations lacking in requisite diligence and ingenuity a license to steal." *Id.* at 988.

Thus the trial court's explanation of its understanding of its charge undercuts the argument to this Court that the word "research" was intended to mean the original expression by the author of the results of the research, rather than the labor of research.

The issue is not whether granting copyright protection to an author's research would be desirable or beneficial, but whether such protection is

intended under the copyright law.² In support of its instruction, the district court cited a number of cases, one of which involved the use of another's historical research in writing a literary work.³

[2] It is difficult to adequately distinguish some of the directory cases, and particularly the language of the opinions. See *Schroeder v. William Morrow & Co.*, 566 F.2d 3 (7th Cir. 1977); *Adventures in Good Eating, Inc. v. Best Places to Eat, Inc.*, 131 F.2d 809 (7th Cir. 1942); *Leon v. Pacific Telephone & Telegraph Co.*, 91 F.2d 484 (9th Cir. 1937); *Jeweler's Circular Publishing Co. v. Keystone Publishing Co.*, 281 F. 83 (2d Cir.), *cert. denied*, 259 U.S. 581, 42 S.Ct. 464, 66 L.Ed. 1074 (1922); *Southwestern Bell Telephone Co. v. Nationwide Independent Directory Service, Inc.*, 371 F.Supp. 900 (W.D.Ark. 1974). A copyright in a directory, however, is properly viewed as resting on the originality of the selection and arrangement of the factual material, rather than on the industriousness of the efforts to develop the information. See *Nimmer, supra*, at § 3.04. Copyright protection does not extend to the facts themselves, and the mere use of the information contained in a directory without a substantial copying of the format does not constitute infringement. See, e. g., *New York Times Co. v. Roxbury Interface, Inc.*, 434 F.Supp. 217 (D.N.J.1977) (reference to a copyrighted index to produce a substantially different type of index is fair use); *Triangle Publications, Inc. v. Sports Eye, Inc.*, 415 F.Supp. 682 (E.D.Pa.1976) (holding that data compiled and published by plaintiff in the "Past Performances" section of the *Daily Racing Form* could be used by defendant to make the comparisons and judgments found in its competing publication *Fast Performances* without infringing plaintiff's copyright because only the method or form of expressing the data, and not the data itself, is copyrightable).

[3] In any event, it may be better to recognize the directory cases as being in a category by themselves rather than to attempt to bring their result and rationale to bear on nondirectory cases. Under the 1909 Copyright Act, directories are specifically identified as copyrightable subject matter,

²The statutory law applicable to this infringement action is the Copyright Act of 1909, 17 U.S.C. § 1 *et seq.* (1970). Although Congress revised and recodified the law in the Copyright Act of 1976, 17 U.S.C.A. § 101 *et seq.*, the legislative history indicates the revision was not intended to change the scope of copyright protection under the previous law. "Its purpose is to restate, in the context of the new single Federal system of copyright, that basic dichotomy between expression and idea remains unchanged." House Report on the Copyright Act of 1976, H.R.Rep. 94-1476, 94th Cong., 2d Sess. 52, *reprinted in* [1976] U.S.Code Cong. & Ad.News 5659, 5670.

³*Huie v. National Broadcasting Co.*, 184 F.Supp. 198 (S.D.N.Y. 1960). In light of the Second Circuit's decisions in *Hoehling v. Universal City Studios, Inc.*, 618 F.2d 972 (2d Cir.), *cert. denied*, ____ U.S. ____, 101, S.Ct. 121, 66 L.Ed.2d 49 (1980), and *Rosemont Enterprises, Inc. v. Random House, Inc.*, 366 F.2d 303 (2d Cir. 1966), *cert. denied*, 385 U.S. 1009, 87 S.Ct. 714, 17 L.Ed.2d 546 (1967), the decision in *Huie* can no longer be considered good law in that circuit, absent wholesale appropriation of expression.

17 U.S.C. § 5(a)(1970)⁴ and the rule is now well settled that they can be copyrighted, *see Nimmer, supra*, at § 2.04[B]. However appropriate it may be to extend copyright protection to the selection and arrangement of factual material in a directory if it involves originality and hence authorship, and however difficult it may be to reconcile these cases with the principle that facts are not copyrightable, *see Nimmer, supra*, at § 3.04, the special protection granted directories under the copyright law has generally not been applied to other factual endeavors. For example, the labor involved in news gathering and distribution is not protected by copyright although it may be protected under a misappropriation theory of unfair competition. *International News Service v. The Associated Press*, 248 U.S. 215, 39 S.Ct. 68, 63 L.Ed. 211 (1918). In the *International News* case, the Supreme Court commented in dicta that while a newspaper story, as a literary production, can be copyrighted,

the news element—the information respecting current events contained in the literary production—is not the creation of the writer, but is a report of matters that ordinarily are *publici juris*; it is the history of the day. It is not to be supposed that the framers of the Constitution...intended to confer upon one who might happen to be the first to report a historic event the exclusive right for any period to spread the knowledge of it.

Id. at 234, 39 S.Ct. at 71.

Apart from the directory cases, the only decision cited to this Court which lends support for the challenged instruction is *Toksvig v. Bruce Publishing Co.*, 181 F.2d 664 (7th Cir. 1950). In *Toksvig*, plaintiff had written a biography of Hans Christian Anderson after extensive research of primary Danish sources. Defendant, who could not read Danish, copied twenty-four specific passages from plaintiff's book in writing her own biography. The Seventh Circuit held the copying of these passages, original translations from Danish separately copyrightable under 17 U.S.C. § 6 (1970), constituted copyright infringement. The court went on to reject defendant's fair use defense, primarily because defendant's use of the translations from Danish has allowed her to write her biography in one-third the time it took plaintiff. The court said the question was not whether defendant could have obtained the same information by going to the sources plaintiff had used, but whether she in fact had done her own independent research. *Id.* at 667.

Although most circuits apparently have not addressed the question, the idea that historical research is copyrightable was expressly rejected by the

⁴Under the Copyright Act of 1976, directories fall into the category of "compilations," copyrightable under 17 U.S.C.A. § 103. A compilation is defined as "a work formed by the collection and assembling of preexisting materials or of data that are selected, coordinated, or arranged in such a way that the resulting work as a whole constitutes an original work of authorship." 17 U.S.C.A. § 101.

Second Circuit in the more soundly reasoned case of *Rosemont Enterprises, v. Random House, Inc.*, 366 F.2d 303 (2d Cir. 1966), *cert. denied*, 385 U.S. 1009, 87 S.Ct. 714, 17 L.Ed.2d 546 (1967). In *Rosemont*, it was alleged that defendant's biography of Howard Hughes infringed the copyright on a series of *Look* articles about Hughes. The district court has asserted in sweeping language that an author is not entitled to utilize the fruits of another's labor in lieu of independent research, relying on *Toksvig*. The Second Circuit reversed. While not challenging the holding of *Toksvig* that substantial copying of specific passages amounted to copyright infringement, it rejected the language regarding independent research:

We . . . cannot subscribe to the view that an author is absolutely precluded from saving time and effort by referring to and relying upon prior published material. . . . It is just such wasted effort that the proscription against the copyright of ideas and facts, and to a lesser extent the privilege of fair use, are designed to prevent.

366 F.2d at 310 (citations omitted).

The Second Circuit has adhered to its position in the most recent appellate case to address the question, *Hoehling v. Universal City Studios, Inc.*, 618 F.2d 972 (2d Cir.), *cert. denied*, ____ U.S. ____, 101 S.Ct. 121, 66 L.Ed.2d 49 (1980). *Hoehling* involved various literary accounts of the last voyage and mysterious destruction of the German dirigible Hindenburg. Plaintiff A. A. Hoehling published a book in 1962 entitled, *Who Destroyed the Hindenburg?* Written as a factual account in an objective, reportorial style, the premise of his extensively researched book was that the Hindenburg had been deliberately sabotaged by a member of its crew to embarrass the Nazi regime. Ten years later, defendant Michael McDonald Mooney published his book, *The Hindenburg*. While a more literary than historical account, it also hypothesized sabotage. Universal City Studios purchased the movie rights to Mooney's book and produced a movie under the same title, although the movie differed somewhat from the book. During the litigation, Mooney acknowledged he had consulted Hoehling's book and relied on it for some details in writing his own, but he maintained he first discovered the sabotage theory in Dale Titler's *Wings of Mystery*, also released in 1962.

Hoehling sued Mooney and Universal for copyright infringement. The district court granted defendants' motion for summary judgment and the Second Circuit affirmed, holding that, assuming both copying and substantial similarity, all the similarities pertained to categories of non-copyrightable material. The court noted the sabotage hypothesis espoused in Hoehling's book was based entirely on interpretation of historical fact and was not copyrightable. 618 F.2d at 979. The same reasoning applied to Hoehling's claim that a number of specific facts, ascertained through his

personal research, were copied by defendants. Relying on the *Rosemont* case, the court stated that the factual information is in the public domain and "each [defendant] had the right to 'avail himself of the facts contained' in Hoehling's book and to 'use such information, whether correct or incorrect, in his own literary work.'" 618 F.2d at 979 (quoting *Greenbie v. Noble*, 151 F.Supp. 45, 67 (S.D.N.Y.1957)). See also *Suid v. Newsweek Magazine*, 503 F.Supp. 146 (D.D.C. 1980).

We find the approach taken by the Second Circuit in *Hoehling* and *Rosemont* to be more consistent with the purpose and intended scope of protection under the copyright law than that implied by *Toksvig*. The line drawn between uncopyrightable facts and copyrightable expression of facts serves an important purpose in copyright law. It provides a means of balancing the public's interest in stimulating creative activity, as embodied in the Copyright Clause, against the public's need for unrestrained access to information. It allows a subsequent author to build upon and add to prior accomplishments without unnecessary duplication of effort. As expressed by the Second Circuit in *Hoehling*:

The copyright provides a financial incentive to those who would add to the corpus of existing knowledge by creating original works. Nevertheless, the protection afforded the copyright holder has never extended to history, be it documented fact or explanatory hypothesis. The rationale for this doctrine is that the cause of knowledge is best served when history is the common property of all, and each generation remains free to draw upon the discoveries and insights of the past. Accordingly, the scope of copyright in historical accounts is narrow indeed, embracing no more than the author's original expression of particular facts and theories already in the public domain.

618 F.2d at 974..

The valuable distinction in copyright law between facts and the expression of facts cannot be maintained if research is held to be copyrightable. There is no rational basis for distinguishing between facts and the research involved in obtaining facts. To hold that research is copyrightable is no more or less than to hold that the facts discovered as a result of research are entitled to copyright protection. Defendant argues that extending copyright protection to research would not upset the balance because it would not give the researcher/author a monopoly over the facts but would only ensure that later writers obtain the facts independently or follow the guidelines of fair use if the facts are no longer discoverable. But this is precisely the scope of protection given any copyrighted matter, and the law is clear that facts are not entitled to such protection. We conclude that the district court erred in instructing the jury that research is copyrightable.

[4] Our inquiry does not end here, however. In reviewing a trial court's instructions to the jury an appellate court must consider the charge as a whole from the standpoint of the jury, in view of the allegations made, the

evidence presented and the arguments of counsel. If the charge as a whole correctly instructs the jury, no reversible error may be committed even though a portion of the charge may be technically imperfect. *Shelak v. White Motor Co.*, 581 F.2d 1155, 1161 (5th Cir. 1978); *Coughlin v. Capital Cement Co.*, 571 F.2d 290, 300 (5th Cir. 1978).

[5] In this case the erroneous statement of law was one sentence in a charge of twelve pages correctly stating the distinction between facts and expression and that facts are not copyrightable. The idea that research is copyrightable was nevertheless impressed upon the jury throughout the liability phase of the trial. In opening argument, counsel for plaintiff stressed the amount of labor and research done by Miller in writing the book. Over defendants' objection, Miller was permitted to testify extensively regarding the amount of time spent researching the book. Although relevant to damages, such testimony was clearly irrelevant to the question of whether defendants' work had infringed plaintiff's book. In closing argument, plaintiff's counsel again stressed that everything Miller did in his research for eighteen to twenty months and put in his book was copyrightable. The fact that counsel considered the faulty instruction to be "the heart" and "the guts of the case," as he told the trial court, is further indication that the "research is copyrightable" theory permeated the entire liability phase of the trial.

Viewing the record as a whole, the Court is left with a substantial and ineradicable doubt as to whether the jury was properly guided in its deliberations. *See McCullough v. Beech Aircraft Corp.*, 587 F.2d 754 (5th Cir. 1979). Because there is uncertainty as to whether the jury was actually misled, the erroneous instruction cannot be ruled harmless and a new trial is required.

Exclusion of Defendants' Expert Witness

[6] Before trial the district court entered a general sequestration order applicable to all witnesses, pursuant to Fed.R.Evid. 615. Although sequestered, defendants' literary expert witness, Professor Sullivan, received transcribed portions (known as daily copy) of Gene Miller's trial testimony. When discovered on the ninth day of trial, the court found this to be a clear and intentional violation of the sequestration order and refused to allow Professor Sullivan to testify.

On appeal defendants challenge both the finding of a violation of the rule and the exclusion of their expert witness as a sanction for the violation. Since the sanction applied here would be reasonable for a violation of rule 615, we address only whether the district court correctly held that a violation occurred.

Rule 615 provides:

At the request of a party the court shall order witnesses excluded so that they cannot hear the testimony of other witnesses, and it may make the order of its own mo-

tion. This rule does not authorize exclusion of (1) a party who is a natural person, or (2) an office or employee of a party which is a natural person designed as its representative by its attorney, or (3) a person whose presence is shown by a party to be essential to the presentation of his cause.

Defendants, contending it was not a violation of the rule to allow Professor Sullivan to read daily copy in preparation for his court appearance, argue (1) the reading of daily copy is not a violation because rule 615 literally prohibits witnesses only from *hearing* the testimony of other witnesses; (2) expert witnesses are impliedly exempt from sequestration under the rule; and (3) Professor Sullivan was expressly exempt from sequestration under subsection (3) of the rule because he was necessary for the management of the case.

[7] The purpose of the sequestration rule is to prevent the shaping of testimony by one witness to match that of another, and to discourage fabrication and collusion. *Taylor v. United States*, 388 F.2d 786 (9th Cir. 1967); *United States v. Leggett*, 326 F.2d 613 (4th Cir.), *cert. denied*, 377 U.S. 955, 84 S.Ct. 1633 12 L.Ed.2d 499 (1964). The opportunity to shape testimony is as great with a witness who reads trial testimony as with one who hears the testimony in open court. The harm may be even more pronounced with a witness who reads trial transcript than with one who hears the testimony in open court, because the former need not rely on his memory of the testimony but can thoroughly review and study the transcript in formulating his own testimony. The court properly held that providing a witness daily copy constitutes a violation of rule 615.

Defense counsel's statement during oral argument that it is a common practice in the Miami area to allow witnesses to read daily copy despite the existence of a sequestration order gives us some cause for concern. There is nothing in the record to substantiate counsel's statement, however, and we cannot speculate that most attorneys in Miami either do not realize that reading daily copy violates the sequestration rule or have adopted a practice that violates the rule. The district judge commented at trial that in the five years he had been on the bench he had never heard of allowing witnesses to read daily copy.

[8] Defendants argue that rule 615 must be read to impliedly exclude from sequestration expert witnesses, who usually do not testify regarding the facts of the case but only express their opinion based on those facts, in order to prevent the rule from conflicting with rule 703,⁵ which permits an expert to base his opinion on facts or data perceived by him at trial. Defendants rely primarily on *Morvant v. Construction Aggregates Corp.*,

⁵Fed.R.Evid. 703 Provides:

The facts or data in the particular case upon which an expert bases an opinion or inference may be those perceived by or made known to him at or before the hearing. If of a type reasonably relied upon by experts in the particular field in forming opinions or inferences upon the subject, the facts or data need not be admissible in evidence.

570 F.2d 626 (6th Cir. 1978), *cert. dismissed*, 439 U.S. 801, 99 S.Ct. 44, 58 L.Ed.2d 94 (1979), in which the court stated it could “perceive little, if any, reason for sequestering a witness who is to testify in an expert capacity only and not to the facts of the case.” *Id.* at 629. The *Morvant* court further held, however, that rule 703 does not furnish an automatic basis for exempting an expert from sequestration under rule 615. *Id.* at 630. We agree. Whether or not it would be reasonable for a trial court to exempt an expert witness from a sequestration order, there is no required exemption implied under rule 615. Exemption would be questionable in a case such as this, however, where defendants’ expert was to testify about the two works upon which Gene Miller was giving his own similarity analysis.

With respect to the contention the witness was exempt under the express exception provided in subsection (3) of the rule for persons who are essential to the presentation of a party’s case, defendants never sought an exemption for Professor Sullivan either before trial or after the violation became known. They only argued that Professor Sullivan’s testimony was crucial to their case. It also appears that defendants’ literary expert is probably not the type of expert intended to be exempt under this exception. The Notes of the Advisory Committee on the Proposed Rules suggest the third category of exempt witnesses contemplates such person as either an agent who handled the transaction being litigated or an expert needed to advise counsel in the management of the litigation. We need not decide the issue, however, because defendants failed to argue this exception to the trial court and cannot now raise it on appeal. *See Morvant*, 570 F.2d at 628 (rejecting an identical argument for failure to present it to the district court).

Testimony and Cross-Examination of Plaintiff

[9] Over defendants’ objection, the trial judge allowed plaintiff to testify as a lay witness regarding similarities between his book and defendants’ movie. The court refused to allow defendants to cross-examine plaintiff and his expert witness regarding similarities between books they had authored and earlier books by other authors on the same subject. We perceive no error in either ruling.

[10] The admission of evidence is committed to the sound discretion of the trial court. *United States v. Ashley*, 555 F.2d 462 (5th Cir.), *cert. denied*, 434 U.S. 869, 98 S.Ct. 210, 54 L.Ed.2d 147 (1977); *United States v. Hearod*, 499 F.2d 1003 (5th Cir. 1974). Fed.R.Evid. 701 is designed specifically to allow lay witness to testify in a conclusory fashion under certain circumstances. The rules states:

If the witness is not testifying as an expert, his testimony in the form of opinions or inferences is limited to those opinions or inferences which are (a) rationally based on the perception of the witness and (b) helpful to a clear understanding of his testimony or the determination of a fact in issue.

The plaintiff author in this case was in a unique position of being intimately familiar with the allegedly infringed work. We see no abuse of discretion in allowing him to testify on the similarities between the book he had written and defendants' movie.

The district court also did not abuse its discretion in limiting the scope of defendants' cross-examination of plaintiff and his expert witness. The thrust of the attempted cross-examination was to show that plaintiff and his expert had both copied from previous works in their own writings. Defendants argued to the trial court the cross-examination was relevant to illustrate that the use of earlier depictions of historical facts was an accepted literary practice and to cast doubt on the credibility of the witnesses' testimony on what constitutes unlawful copying. In refusing to allow defendants to pose this line of questioning, the court found it irrelevant to the central issue at the trial: whether defendants' movie infringed plaintiff's copyright. The district court has wide discretion on matters of relevancy and materiality of evidence, *United States v. Grimm*, 568 F.2d 1136 (5th Cir. 1978), and we do not find the determination of irrelevancy to be reversible error. Even if the evidence was in some way relevant to the issues at trial, its probative value was substantially outweighed by the danger of unfair prejudice and confusion of the issues, and therefore could be properly excluded under Fed.R.Evid. 403. The ruling did not prevent defendants from establishing their fair use defense.

Introduction of Preliminary and Shooting Scripts

[11-13] To prevail on a claim of copyright infringement, a plaintiff must prove ownership of the copyright and copying by the alleged infringer. *Ferguson v. National Broadcasting Co.*, 584 F.2d 111, 113 (5th Cir. 1978); M. Nimmer, 3 *Nimmer on Copyright* § 13.01 (1980). Since there is often no direct evidence of copying, it is ordinarily established by proving access to the copyrighted material and substantial similarity between the two works. *Nimmer, supra*, at § 13.01[B]. A defendant can rebut such a showing by offering evidence that his work was independently created without reference to the prior work, since a copyright, unlike a patent, does not confer an absolute monopoly over the expression but only a right of control over the works which are derived from the copyrighted work. *Fred Fisher, Inc. v. Dillingham*, 298 F. 145 (S.D.N.Y.1924); M. Nimmer, 2 *Nimmer on Copyright* § 8.01. If defendant offers evidence of independent creation, the plaintiff has the burden of proving that the defendant in fact copied the protected material.

[14] Plaintiff in this case sought to prove copying by establishing access, substantial similarity, and lack of independent creation. In doing so, he was permitted to introduce into evidence several preliminary scripts and the script used in filming the movie.

It was not error for the court to allow plaintiff to introduce the various scripts used in developing the movie. Because of the different media involved, examination of the various scripts was relevant to plaintiff's showing of the process by which the book was transformed into the movie. Moreover, defendants offered testimony that its movie was created independently from plaintiff's book. To negate the inference of independent creation, plaintiff offered the scripts into evidence to show the manner and speed in which the movie was produced. Thus, the various scripts were relevant and admissible on the issue of independent creation, even though the ultimate test of infringement was the film as broadcast. *See Cain v. Universal Pictures Co.*, 47 F.Supp. 1013 (S.D.Cal.1942); *De Montijo v. 20th Century Fox Film Corp.*, 40 F.Supp. 133 (S.D.Cal.1941).

In any event, it is doubtful defendants were prejudiced by admission of the early scripts. They had an opportunity to point out any changes that were made between these scripts and the movie, and the jury was properly instructed that the question before them was whether the movie as broadcast was substantially similar to the book. *See Huie v. National Broadcasting Co.*, 184 F.Supp. 198 (S.D.N.Y.1960).

Cumulative Recovery of Damages and Profits

[15] In accordance with the jury verdict, plaintiff was awarded \$185,000 in damages and \$31,750 in profits earned by defendants as a result of their unlawful infringement. Defendants assert the award of both damages and profits was improper.

The Copyright Act of 1909, which governed the trial of this case, provides that an infringer is liable for "such damages as the copyright proprietor may have suffered due to the infringement, as well as all the profits which the infringer shall have made from such infringement." 17 U.S.C. § 101(b) (1970). Although the statutory language of section 101(b) explicitly provides for a cumulative recovery, confusion was engendered by language in the legislative history of the 1909 Act which indicated the legislators may have intended only an alternative recovery. H.R.Rep.No.2222, 60th Cong., 2d Sess. 15 (1909). In the face of these contradictory signals, courts have divided on the issue. *Compare Sid & Marty Krofft Television Productions, Inc. v. McDonald's Corp.*, 562 F.2d 1157 (9th Cir. 1977); *Universal Pictures Co. v. Harold Lloyd Corp.*, 162 F.2d 354 (9th Cir. 1947), with *Thomas Wilson & Co. v. Irving J. Dorfman Co.*, 433 F.2d 409 (2d Cir. 1970), cert. denied, 401 U.S. 977, 91 S.Ct. 1200, 28 L.Ed.2d 326 (1971); *Peter Pan Fabrics, Inc. v. Jubela Fabrics, Inc.*, 329 F.2d 194 (2d Cir. 1964); *Baldwin Cooke Co. v. Keith Clark, Inc.*, 420 F.Supp. 404 (N.D.Ill.1976). The 1976 revision of the Copyright Act resolved the conflict in favor of cumulative recovery. *See* 17 U.S.C.A. § 504(b).

The question is one of first impression in this Circuit. This Court generally adheres to the literal statutory language and has rejected "attempts to use legislative history to *override* the unambiguous language of the statute." *Brennan v. Taft Broadcasting Co.*, 500 F.2d 212, 217, (5th Cir. 1974) (emphasis in original). See also *United States v. Second National Bank of North Miami*, 502 F.2d 535, 539-40 (5th Cir. 1974), *cert. denied*, 421 U.S. 912, 95 S.Ct. 1567, 43 L.Ed.2d 777 (1975). The language of section 101(b) unambiguously provides for the recovery of both actual damages and profits. This reading is consistent with the purpose of copyright law to discourage wrongful infringement as well as to compensate the copyright owner. See *F. W. Woolworth Co. v. Contemporary Arts, Inc.*, 344 U.S. 228, 233, 73 S.Ct. 222, 225, 97 L.Ed. 276 (1952); H.R.Rep.No.94-1476, 94th Cong. 2d Sess. 161, *reprinted in* [1976] U.S. Code Cong. & Ad.News 5659, 5777. We therefore hold a plaintiff may recover both damages sustained by him and profits earned by the infringers as a result of unlawful infringement.

Conclusions

Additional issues raised by defendants on appeal, including the correctness of the special verdict form, the propriety of certain comments made by plaintiff's counsel during closing arguments, and the reasonableness of the attorney's fee award to plaintiff, need not be decided in light of the remand for a new trial.

REVERSED AND REMANDED.

MISTER B TEXTILES INCORPORATED, Plaintiff, v. **WOODCREST FABRICS, INC.**, Defendant

80 Civ. 6014 (CBM)

(United States District Court, S. D. New York—January 5, 1981)

523 F.Supp. 21. 213 USPQ 661

On motion by textile company for a preliminary injunction to prevent fabric manufacturer from selling certain fabrics which allegedly infringed on copyrighted fabrics manufactured by textile company, the District Court, Motley, J., held that: (1) textile company owned copyright to pattern at issue in view of fact that pattern was coproduced by an employee of company and by another individual working for company for hire; (2) copyright was valid; and (3) textile company demonstrated reasonable probability of success on the merits with respect to claim of copyright infringement.

Injunction granted.

1. Copyrights and Intellectual Property

In order to show infringement of a copyright, a plaintiff must demonstrate ownership of a valid copyright, and copying by the defendant.

2. Copyrights and Intellectual Property

The three basic elements which a plaintiff must prove in order to demonstrate copyright infringement are ownership, validity, and copying.

3. Copyrights and Intellectual Property

Textile company owned copyright to fabric pattern in view of fact that pattern design was coproduced by employee of company and by individual working for company for hire. 17 U.S.C.A. §§ 101, 201(a, b).

4. Copyrights and Intellectual Property

Where there was more than trivial variation between textile company's pattern inspired from pictures out of foreign magazines and the patterns depicted in the magazines, copyright was valid.

5. Copyrights and Intellectual Property

Since direct proof of copying is rarely available, copying may be proved by demonstrating access and substantial similarity between accused fabric and copyrighted fabric.

6. Copyrights and Intellectual Property

Where fabric manufacturer's fabric pattern was clearly substantially similar to textile company's copyrighted fabric pattern, textile company had demonstrated reasonable probability of success on the merits with respect to claim of copyright infringement so as to warrant enjoining fabric manufacturer from selling such fabrics.

7. Copyrights and Intellectual Property

In copyright cases, in order for a preliminary injunction to issue, the copyright proprietor need not make a detailed showing of irreparable injury resulting from the infringement.

8. Copyrights and Intellectual Property

A holder of a copyright is presumed to suffer irreparable harm when his right to the exclusive use of the copyrighted material is involved.

Simon, Sussman, Uncyk, Forseter & Borenkind by Marc L. Zoldessy, New York City, for plaintiff.

Ballon, Stoll & Itzler, New York City, for defendant.

MEMORANDUM OPINION

MOTLEY, District Judge. This case comes before the court on a motion for plaintiff, Mr. B. Textiles (Mr. B), for a preliminary injunction to prevent defendant, Woodcrest Fabrics, Inc. (Woodcrest), from selling certain fabrics which allegedly infringe on copyrighted fabrics manufactured by plaintiff.

On October 23, 1980, plaintiff served an order to show cause upon defendant. A hearing took place before this court the same day, and both sides were represented by counsel. Plaintiff's request for a temporary

restraining order (TRO) was granted on that date. Subsequently the TRO was extended by a series of mutually agreed upon stipulations, pending completion by plaintiff of its preparations for the preliminary injunction hearing.

On November 25, 1980, this court signed an order to show cause directing a company known as Cobina Frock, Inc. (Cobina) to appear and demonstrate why it should not be joined as a defendant in this action. The order, signed by this court on November 25, 1980, also extended the temporary restraining order against Woodcrest to Cobina. The order was prompted by plaintiff's discovery that Cobina was manufacturing and selling garments made with the allegedly infringing fabrics. By stipulation and order signed on November 26, 1980, counsel for Cobina agreed to extension of the temporary restraining order against Cobina until such time as a hearing was held on plaintiff's application for a preliminary injunction. That same order provided for consideration of the joinder motion at the same time as the hearing on the preliminary injunction. The preliminary injunction hearing was held on December 16 and 17, 1980, and all parties were represented.

The following discussion constitutes this court's findings of fact and conclusions of law as required by Rule 52 of the Federal Rules of Civil Procedure. For the reasons given below, this court grants plaintiff's requests for a preliminary injunction and joinder of Cobina as a co-defendant.

FACTS

All parties are New York corporations, and each has its principal place of business here. In November, 1979, a Ms. Toni Lombardi, then employed by plaintiff, engaged the services of a design firm, Nina Lewin, Inc., to create a new design to be used by plaintiff. Ms. Lombardi presented Ms. Lewin with pictures of two garments taken from foreign magazines. She instructed Ms. Lewin to make certain modifications in the designs to adapt them to the American fabric market. The pictures were to be used to make a single new design suitable for sale in this country. Plaintiff paid Ms. Lewin \$350 for her efforts.

Plaintiff entitled the resulting design "Pattern 2011—Swept Away." Plaintiff applied for and received a certificate of copyright registration for this design. The certificate was issued on April 14, 1980, and plaintiff has placed the certificate in evidence. Plaintiff began manufacturing fabric incorporating the copyrighted design in February, 1980. According to plaintiff's Vice President, plaintiff first became aware of defendant's allegedly infringing fabric on October 21, 1980. Plaintiff first became aware of Cobina's use of the allegedly infringing fabric on November 19, 1980.

This court finds first that there is recognizable variation between plaintiff's fabric and the designs found in the pictures obtained from foreign

magazines. Second, this court finds that defendant's fabric is clearly substantially similar to plaintiff's copyrighted fabric. The average lay observer would have considerable difficulty distinguishing between the two fabrics without close examination.

CONCLUSIONS OF LAW

[1, 2] In order to show infringement, "a plaintiff must demonstrate ownership of a valid copyright, and copying by the defendant." *Novelty Textile Mills v. Joan Fabrics Corporation*, 558 F.2d 1090, 1092 (2d Cir. 1977). Thus there are three basic elements which plaintiff must prove: (1) ownership, (2) validity, and (3) copying. Plaintiff has placed a copyright registration for its fabric into evidence. The certificate establishes a *prima facie* case of copyright ownership and validity. See 17 U.S.C. § 410(c). Defendant contests both plaintiff's ownership of its patent, and the patent's validity.

[3] With respect to ownership, defendant contends that since plaintiff has admitted that the fabric design at issue was produced by Ms. Nina Lewin at plaintiff's request, plaintiff is not the owner of the copyright. The court must therefore determine the status of copyright ownership. All parties agree that since the fabric at issue was designed after January 1, 1978, this issue must be determined by applying the provisions of the Copyright Law Revision Act, P.L. 94-553, 17 U.S.C. § 101 *et seq.*

Plaintiff contends that it owns the copyright to the pattern at issue because Ms. Lewin's design was a "work for hire." The applicable provision of the Copyright Act, as amended, reads in pertinent part:

Initial Ownership. — Copyright in a work protected under this title vests initially in the author or authors of the work. The authors of a joint work are coowners of copyright in the work.

Works Made for Hire. — In the case of a work made for hire, the employer or other person for whom the work was prepared is considered the author for purposes of this title, and, unless the parties have expressly agreed otherwise in a written instrument signed by them, owns all of the rights comprised in the copyright.

17 U.S.C. § 201(a) and (b).

Defendant contends that the section of the statute just quoted is inapplicable. According to defendant, the reach of the "Works Made For Hire" section of the statute is circumscribed by the statutory definition of the term "Works Made for Hire." This definition reads in pertinent part:

A "work made for hire" is—

(1) a work prepared by an employee within the scope of his or her employment;
or

(2) a work specially ordered or commissioned for use as a contribution to a collective work, as a part of a motion picture or other audio-visual work, as a translation, as a supplementary work, as a compilation, as an instructional text, as a test, as answer material for a test, or as an atlas, if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire.

17 U.S.C. § 101.

In essence, defendant argues that the Copyright Law, as amended, only allows the “work for hire” doctrine to operate in situations involving the types of specifically enumerated works found in the statutory definition. This argument, if correct, would mean that a fabric design produced by an independent contractor at the request of another party could not be a work for hire. Instead, as this court understands defendant’s argument, the independent contractor would be the “author” of the work and copyright owner. Thus the person who contracted for production of the fabric design could only become the copyright owner upon written transfer as required by the amended statute. 17 U.S.C. § 204.

As far as the court can discover, this case is the first instance in which a federal court has been asked to construe the reach of the “Work for Hire” provision of the new copyright law. After examining the statute, and its legislative history, the court concludes that plaintiff is the owner of this copyright. Initially, the court observes that defendant’s position appears to be correct. Defendant’s argument is borne out by the legislative history of P.L. 94-553, which, in describing the operation of the work for hire provisions, states in pertinent part:

The status of works prepared on special order or commission was a major issue in the development of the definition of “works made for hire” in section 101 [section 101 of this title], which has undergone extensive revision during the legislative process. *The basic problem is how to draw a statutory line between those works written on special order or commission that should be considered as “works made for hire,” and those that should not. The definition now provided by the bill represents a compromise which, in effect, spells out those specific categories of commissioned works that can be considered “works made for hire” under certain circumstances.*

H.Rep.No.94-1476, 94th Cong. 2d Sess. pg. 121 (1976) (emphasis added).

However, defendant’s argument, even if correct, is not dispositive of the ownership question here. The facts indicate that Ms. Lewin created this design with the participation of Ms. Lombardi. Ms. Lewin’s uncontroverted affidavit states that to some extent she proceeded under Ms. Lombardi’s direction. Ms. Lombardi has testified that her design contribution was minimal, but serious doubt has been cast on the credibility of Ms. Lombardi’s testimony. On cross examination it was revealed that Ms. Lombardi was fired by plaintiff at some point after the design of the fabric in issue due to a dispute over remuneration received by her from plaintiff. As indicated by the court’s factual findings above, this court concludes that Ms. Lombardi played a significant role in the creation of plaintiff’s copyrighted fabric.

Assuming that the copyright is otherwise valid, Ms. Lombardi’s involvement in the creation of this fabric makes her one of “[t]he authors of a joint work” for purposes of 17 U.S.C. § 201(a), the “initial ownership” section of the revised copyright law. As such, she and Ms. Lewin “are

coowners of copyright in the work.” 17 U.S.C. § 201(a). Since Ms. Lombardi was employed by plaintiff when she participated in design of Pattern 2011—Swept Away, her rights in the copyright would pass to her employer. *See* 17 U.S.C. § 201(b). Defendant concedes that the work for hire doctrine survives intact with respect to employer and employees rather than independent contractors and the persons contracting with them. Plaintiff is therefore the coowner of the copyright in Pattern 2011—Swept Away.

The legislative history of the Copyright Revision Act clearly states:

Under the Bill, as under present law, coowners of a copyright would be treated generally as tenants in common, with each coowner having an independent right to use or license the work . . .

H.Rep.No.94-1476, *supra*, at 120. Plaintiff’s coownership is therefore sufficient ownership interest to maintain this suit.

[4] Since ownership has been established, the next question before the court is whether the copyright is itself valid. Defendant argues that the copyright is invalid because the design was copied from pictures out of foreign magazines and is therefore not original. The Second Circuit has described the standard to be applied in determining originality as follows:

Originality is, however, distinguished from novelty; there must be independent creation, but it need not be invention in the sense of striking uniqueness, ingeniousness, or novelty, since the Constitution differentiates “authors” and their “writings” from “inventors” and their “discoveries.” . . . Originality means that the work owes its creation to the author and this in turn means that the work must not consist of actual copying. . . .

The test of originality is concededly one with a low threshold in that “[a]ll that is needed . . . is that the ‘author’ contributed something more than a ‘merely trivial’ variation, something recognizably ‘his own.’” . . . But as this court said many years ago, “[w]hile a copy of something in the public domain will not, if it be merely a copy, support a copyright, a distinguishable variation will. . . .”

L. Batlin & Son, Inc. v. Snyder, 536 F.2d 486, 491 (2d Cir. 1976) (citations omitted).

After comparing the magazine pictures given to Ms. Lewin with plaintiff’s copyrighted fabric, this court concludes that there is more than “trivial variation.” *Id.* Defendant’s argument that the copyright is invalid is accordingly rejected. Moreover, this court also rejects defendant’s contention that only some portion or aspect of plaintiff’s fabric is copyrightable because Pattern 2011—Swept Away is a “derivative work.”

Defendant argues that since fashion magazines photos served as inspiration for plaintiff's design, the design is a "derivative work." The Copyright Law, as amended, provides:

"The copyright in a compilation or derivative work extends only to the material contributed by the author of such work, as distinguished from the pre-existing material employed in the work, and does not imply any exclusive right in the pre-existing material. The copyright in such work is independent of, and does not affect or enlarge the scope, duration, ownership, or subsistence of, any copyright protection in the preexisting material."

17 U.S.C. § 103(b) (emphasis added). Relying on the statute above, defendant contends that plaintiff may only claim copyright protection for those portions of its fabric not derived from the magazine photos. Thus, when this court determines whether the accused fabric is sufficiently similar to plaintiff's fabric to constitute an infringement, defendant argues that similarity may only be judged with respect to those portions of plaintiff's fabric not taken from the magazine photos.

Again, there is no precedent under the new statute to guide the court, but it seems that there are factual flaws in defendant's position. Comparison of the magazine photos with the copyrighted fabric shows that plaintiff combined elements of each of the two pictures with elements not present in either picture to create an artistic impression markedly different from both pictures. The court is not dealing with a book or song where preexisting material may be confidently separated from new material. Instead, the court is confronted by a unified artistic conception. Certainly that conception did not appear from out of thin air. Plaintiff's fabric does incorporate aspects of preexisting designs, but the final product is not amenable to being disassembled in the fashion defendant's argument would require.

[5] Having determined that plaintiff owns a valid copyright, the court must now decide whether the fabric was actually copied. Since direct proof of copying is rarely available, copying may be proved by demonstrating access and substantial similarity between the accused fabric and the copyrighted fabric. *See Novelty Textile Mills v. Joan Fabrics Corporation*, 558 F.2d 1090, 1092 (2d Cir. 1977). Defendant's own evidence demonstrates that it had access to plaintiff's design. Defendant has placed in evidence a piece of unmarked, unidentified fabric. Defendant contends that it was given this piece of fabric by a customer from South Africa along with a request that the design be reproduced. The unmarked fabric is identical to plaintiff's fabric. It is not necessary for defendant to have had a specific intent to copy plaintiff's fabric. Defendant set out to produce a piece of fabric similar to plaintiff's fabric. In order for this court to conclude that defendant lacked access, we would have to assume that some third party is producing fabric which is exactly the same as plaintiff's

fabric. The more reasonable conclusion is that defendant was given an unmarked piece of plaintiff's fabric which was then used in making defendants design. As for similarity, this court concludes that the two fabrics are clearly substantially similar as the test for determining same is defined in this circuit:

The appropriate test for determining whether substantial similarity is present is whether an average lay observer would recognize the alleged copy as having been appropriated from the copyrighted work.

Malden Mills, Inc. v. Regency Mills, Inc., 626 F.2d 1112, 1113 (2d Cir. 1980), quoting, *Ideal Toy Corp. v. Fab-Lu Ltd.*, 360 F.2d 1021, 1022 (2d Cir. 1966).

[6] Plaintiff has, therefore, demonstrated reasonable probability of success on the merits with respect to his claim of copyright infringement. *Concord Fabrics, Inc. v. Marcus Brothers, Inc.*, 409 F.2d 1315 (2d Cir. 1969).

[7, 8] In copyright cases, in order for a preliminary injunction to issue, the copyright proprietor need not make a detailed showing of irreparable injury resulting from the infringement. *Wainwright Securities Inc. v. Wall Street Transcript Corp.*, 558 F.2d 91 (2d Cir. 1977), cert. denied, 434 U.S. 1014, 98 S.Ct. 730, 54 L.Ed.2d 759 (1978); *Rushton v. Vitale*, 218 F.2d 434 (2d Cir. 1955). A holder of a copyright is presumed to suffer irreparable harm when his right to the exclusive use of the copyrighted material is involved. *Novelty Textile Mills, Inc. v. Joan Fabrics Corp.*, 558 F.2d 1090, 1094 (2d Cir. 1977).

Therefore, as provided in the order filed simultaneously herewith, the temporary restraining orders issued by this court on October 23, 1980, and November 26, 1980, against defendants Woodcrest and Cobina, respectively, are hereby extended as preliminary injunctions. These orders will remain in effect until this court determines plaintiff's application for permanent injunctive relief.

SO ORDERED.

MONUMENTAL PROPERTIES OF GEORGIA, INC. v. FRONTIER DISPOSAL, INC., et al.

No. 61171

(Court of Appeals of Georgia—June 9, 1981—Rehearing Denied June 23, 1981)

282 S.E.2d 660. 159 Ga.App. 35

Designer of automatic trash unloading device brought action for conversion against potential buyer of such device. The DeKalb Superior Court, Hendon, J., entered judgment on jury verdict of \$50,000 actual damages and \$50,000 punitive damages in favor of designer, and prospective buyer appealed. The Court of Appeals, Sognier, J., held that: (1) design and development of device was not type of "professional engineering" anticipated by statutes governing professional engineers and land surveyors; (2) trial court's charge on common-law patent and common-law copyright was error necessitating new trial; and (3) under circumstances disclosed by evidence, prospective buyer had duty not to take designer's plan and convert it to its own use.

Judgement reversed.

1. Licenses

Design and development of automatic trash unloading device was not type of "professional engineering" anticipated by statutes governing professional engineers and land surveyors. Code, § 84-2101 et seq.

See publication Words and Phrases for other judicial constructions and definitions.

2. Patents

Patent rights exist only by virtue of federal statute.

3. Copyrights and Intellectual Property

Copyright law protects form of idea rather than idea itself.

4. Trover and Conversion

Where corporation developed unique trash unloading device which was to be considered part of package involving its bid to supply trash disposal equipment and its president and sole stockholder was relying on confidential nature of its relationship with prospective buyer in developing design, prospective buyer had duty not to take corporation's plan and convert it to its own use, thereby causing injury to corporation.

5. Copyrights and Intellectual Property

Patents

Author or inventor has property right in product of his mental labors, even though such product is not patentable.

6. Copyrights and Intellectual Property

Patents

Property right in product of author's or inventor's mental labors had been recognized at common-law independently of copyright or letters patent.

7. Patents

Property right in unpatented product is only exclusive until it becomes property of public by being placed on the market.

8. Trover and Conversion

In action for misappropriation or conversion of unpatented idea, duty not to misuse idea must have arisen out of contract or some confidential relationship existing between parties.

9. Injunction

One who by reason of confidential business relationship with discoverer had gained possession of trade secret will be restrained from betraying trust reposed in him by using knowledge he has thus acquired for his own gain.

10. Injunction

Courts will protect unpatented or unpatentable idea from divulgence by one who has acquired it through confidential relationship with discoverer thereof.

11. Copyrights and Intellectual Property

Where information regarding unpatented trash unloading device was transmitted and accepted as part of agreement that prospective buyer would have use of device in conjunction with designer's bid to supply equipment, such arrangement could be interpreted by jury as implied agreement not to use or divulge information.

12. Torts

While patents are granted for specific length of time, trade secret is only protected so long as competitors fail to duplicate it by legitimate, independent research.

13. Trover and Conversion

Complaint for conversion stated essential elements of cause of action for misappropriation of trade secrets sufficient to apprise defendant as to nature of suit.

14. Trover and Conversion

In action for conversion of automatic trash unloading device and design thereof, evidence was sufficient to withstand directed verdict for defendant.

Emmet J. Bondurant, Atlanta, for appellant.

W.E. Zachary, Sr., W. E. Zachary, Jr., Decatur, Matthew J. Blender, Atlanta, for appellees.

SOGNIER, Judge. Appellee Frontier Disposal, Inc. (Frontier) is a corporation which designs and sells trash disposal equipment. Its president and sole stockholder, L. C. Ely, designed a unique method of dumping trash into trash compactors. Appellant Monumental Properties of Georgia, Inc. (Monumental) owned and operated approximately 3,000 apartment units in metropolitan Atlanta. In 1974 Frontier contacted Monumental in an attempt to interest them in a new system of garbage disposal. Ely, with the encouragement and assistance of Monumental's representatives, worked on and developed an automatic bottom unloading system of dumping trash into trash compactors. There was no express contractual agreement between Frontier and Monumental; however, after

designing the garbage disposal system Frontier was to receive a commission from the manufacturers of the equipment used in the system sold directly to Monumental. Frontier also planned to claim the system as its own and use it as an example for future marketing purposes, although Frontier had no patent on the design. Monumental took bids from Frontier and several other manufacturers for garbage disposal equipment. Frontier was not the low bidder and Monumental purchased the equipment from another manufacturer and installed a system using Frontier's design and automatic unloading device. Frontier was not compensated for any work done on the system, or for use of the unique design it had developed. Frontier sued Monumental for conversion. The jury returned a verdict of \$50,000 in actual damages and \$50,000 in punitive damages in favor of Frontier. Monumental appeals.

[1] 1. Appellant contends that the trial court erred in failing to instruct the jury that appellee could not recover if it found that appellee was engaged in the unlicensed practice of engineering. It is undisputed that Ely is not a licensed engineer. However, Code Ann. Chapter 84-21 does not apply to engineering which relates to the "design or fabrication of manufactured products." Code Ann. § 84-2125(c). We do not view the design and development of the product in question by Ely as that type of "professional engineering" anticipated by the statute. Thus, this enumeration of error is without merit.

2. Appellant next contends that the trial court erred in charging the jury that appellee could have a "common law patent of an idea;" and that a cause of action could be based on the unauthorized use of appellee's ideas as reflected in his design plans. We agree with appellant that the trial court's charge on common law patent and common law copyright was error.

The trial court's charge, in pertinent part, is as follows: "... the Court charges you that an individual has an [inchoate] or common law right to a copyright of his ideas and plans illustrating these ideas, and any unlawful or unauthorized use or conversion of these ideas or plans gives a cause of action to the owner. . .

"If you find that the plaintiff had a common law copyright in the plan or a common law patent in the idea and that the defendant without authorization converted the plans to their own use, then the plaintiff would be entitled to recover under the evidence and the charge of the Court."

[2] We know of no case law in Georgia which recognizes a common law patent. In fact, the Supreme Court of the United States has stated: "Pursuant to this constitutional authority [Art. I, Sec. 8, ¶8 of the United States Constitution], Congress in 1790 enacted the first federal patent and copyright law . . . and ever since that time has fixed the conditions upon which patents and copyrights shall be granted . . . These laws, like other

laws of the United States enacted pursuant to constitutional authority, are the supreme law of the land.” *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 228, 84 S.Ct. 784, 11 L.Ed.2d 661 (1963). Patent rights exist only by virtue of federal statute. It is undisputed that appellee had no patent on his design. A charge on “common law patent” is an erroneous statement of law.

[3] While our court has referred to a so-called “common law copyright” in *Jones v. Spindel*, 128 Ga.App. 88, 196 S.E.2d 22 (1973); *Jones v. Spindel*, 122 Ga.App. 390, 177 S.E.2d 187 (1970); *Jones v. Spindel*, 113 Ga.App. 191, 147 S.E.2d 615 (1966), we find no authority therefor. In the *Jones* cases, recovery was permissible under theories of contract or quantum meruit, despite the label “common law copyright.” Even if such a right existed, there was no evidence that Monumental copied the actual plans for the design developed by Frontier, whereas in *Jones*, the plans were either “traced or redrawn with minor changes omitting the Spindel legend.” Id. 128 Ga.App. at 90, 196 S.E.2d 22. Copyright law protects the form of the idea rather than the idea itself. For a general discussion of patent law and copyright law, see 1 Callmann, *Unfair Competition, Trademarks and Monopolies*, §§ 16 and 17. Thus, a charge on common law copyright in the instant case was error. The error in the charges on common law patent and common law copyright necessitates a new trial.

3. Appellant also contends that the trial court erred in failing to grant appellant’s motion for a directed verdict of judgment n.o.v. because the evidence failed to prove that appellant converted any property belonging to appellee. We do not agree. While it is clear that patent and copyright law do not apply to the facts of the case, we think that appellee has a cause of action for the wrongful misappropriation of his idea.

[4] The trial court charged that “. . . any unlawful or unauthorized use or conversion of these ideas or plans gives a cause of action to the owner.” The evidence discloses that Frontier developed the unique garbage disposal system, that there was an understanding between the parties that the system was to be considered a part of a package involving Frontier’s bid to supply garbage disposal equipment, and that Ely was relying on the confidential nature of its relationship with Monumental in developing his design. Under the circumstances, Monumental had a duty not to take Frontier’s plan and convert it to its own use, thereby causing injury to Frontier.

[5, 6] Our courts have long recognized that an author or inventor has a property right in the product of his mental labors, even though such product is not patentable. The right has been recognized at common law independently of copyright or letters patent. *Stewart v. Hook*, 118 Ga. 445, 447, 45 S.E. 369 (1903); *Walker v. Berger*, 148 Ga. 326, 331, 96 S.E. 627 (1918); *Alexis Inc. v. Werbell*, 209 Ga. 665, 668, 75 S.E.2d 168 (1953).

[7-12] Recognition of a cause of action for misappropriation or conversion of an unpatented or unpatentable idea, however, depends on a number of factors. A property right in the unpatented product is only exclusive until it becomes the property of the public by being placed on the market. *Alexis Inc.*, supra, at 668. There was no evidence here that Frontier's design was available in the marketplace. Next, the duty not to misuse the property of appellee must have arisen out of a contract or some confidential relationship existing between the parties. One who by reason of a confidential business relationship with the discoverer has gained possession of his trade secret, will be restrained from betraying the trust reposed in him by using the knowledge he has thus acquired for his own gain. *Outside Carpets v. Industrial Rug Co.*, 228 Ga. 263, 268, 185 S.E.2d 65 (1971). The usual situation in which "trade secrets" are protected involved employment contracts where a contract, express or implied, prohibits an employee from divulging his employer's trade secrets. The courts will protect such a secret from divulgence by one who has acquired it through confidential relationships with the discoverer thereof. *Thomas v. Best Mfg. Co.*, 234 Ga. 787, 790, 218 S.E.2d 68 (1975); see also *University Computing Co. v. Lykes-Youngstown Corp.*, 504 F.2d 518 (5th Cir. 1974). We see no reason why the same rule should not apply to this case, since the evidence disclosed that the plan, design and development of the automatic system originated with appellee, and Frontier understood that it divulged its plan in confidence to Monumental. This is especially true where, as here, the information was transmitted and accepted as a part of an agreement that Monumental would have the use of the device in conjunction with appellant's bid to supply the equipment. Such an arrangement could be interpreted by a jury as an implied agreement not to use or divulge the information. Finally, while patents are granted only for a specific length of time, a trade secret is only protected so long as competitors fail to duplicate it by legitimate, independent research. *Water Services v. Tesco Chemicals*, 410 F.2d 163, 172 (5th Cir. 1969). There is no evidence in the record that appellant developed the particular automatic device by its own independent research.

[13,14] Appellant argues that appellee did not raise the issue of trade secrets prior to the appeal of the case, and cannot now argue this theory on appeal. However, under our system of notice pleading, we view the complaint as stating the essential elements of appellee's cause of action sufficient to apprise appellant as to the nature of the suit so that he could defend it, *Spewell v. Farmer*, 230 Ga. 297, 196 S.E.2d 866 (1973), and the evidence sufficient to withstand a directed verdict for appellant.

4. In view of our decision in Division 2 of this opinion, we find it unnecessary to address appellant's other enumerations of error as the case must be returned to the trial court for a new trial.

JUDGMENT REVERSED.

SHULMAN, P. J., and BIRDSONG, J., concur.

MUSIC CITY MUSIC, INC., et al. v. AVALON, INC.

No. 81-437-MA

(United States District Court, D. Massachusetts—Decided October 23, 1981)

217 USPQ 399

Action by Music City Music, Inc., WB Music Corp., Cass County Music Co., and Red Cloud Music Co., against Avalon, Inc., for copyright infringement, in which defendant counterclaims. On plaintiff's motion for summary judgment. Motion granted, and counterclaim dismissed.

COPYRIGHTS**1. In general**

Certified copies of copyright registration certificates constitute prima facie evidence of ownership of copyrights.

2. Infringement — In general

Summary judgment is appropriate resolution of case in which there is no dispute that plaintiffs are proprietors of musical compositions in question, there is no dispute that accused's establishment was open to public on dates compositions were allegedly played, and there is no dispute that compositions were performed on those dates.

3. Accounting — Damages — Copyrights**Costs — Attorney's fees****Injunction — Copyrights**

Copyright owners that are granted summary judgment for copyright infringement are entitled to injunction under 17 USC 502(a), damages between \$250 and \$10,000 for each count under 17 USC 504(c)(1), and to reasonable attorneys' fees under 17 USC 505.

Stephen S. Young, and Sherburne, Powers & Needham, both of Boston, Mass., for plaintiffs.

George P. Luker, Maynard, Mass., for defendant.

MAZZONE, *District Judge*.

I.

[1,2] After hearing, and review of the entire record, including affidavits, admissions, and submissions of counsel, it is clear that there is no genuine issue as to any material facts and, therefore, the plaintiff is entitled to summary judgment. Fed.R.Civ.P. 56(c).

There is no dispute that the plaintiffs are the proprietors of the musical compositions in question. Certified copies of the registration certificates of the compositions have been filed and constitute prima facie evidence of ownership. 17 U.S.C. § 410(c), Flick-Ready Corp. v. Hydro Line

Manufacturing Co., 351 F.2d 546, 146 USPQ 694 (7th Cir. 1965), cert. denied, 383 U.S. 958, 148 USPQ 771 (1966).

There is no dispute that the defendant's establishment was open to the public on the dates the compositions were allegedly played. The defendant has admitted that its establishment was open to the public on November 7, 1980.

Finally, there is no dispute that the compositions were performed on those dates. The affidavits submitted by the plaintiffs establish that fact and those affidavits were not controverted or otherwise disputed by the defendant.

On the basis of the above, summary judgment is an appropriate method of resolution in this case. *Famous Music v. Bay State Harness Racing and Breeding Association*, 554 F.2d 1213, 194 USPQ 177 (1st Cir. 1977).

[3] Infringement having been found, the plaintiffs are entitled to an injunction, 17 U.S.C. § 502(a), damages between \$250 and \$10,000 for each count, 17 U.S.C. § 504(c)(1), and to reasonable attorney's fees, 17 U.S.C. § 505. After consideration of the record, the Court concludes that the defendant should pay damages of \$250 on each count of the complaint for a total of \$750 and reasonable attorneys' fees in the amount of \$500 for a total amount of \$1,250, plus costs and interest.

II.

The next question is what disposition, if any, should be made of the defendant's counterclaim pursuant to G.L. ch. 93A, alleging unlawful and deceptive business practices. We consider the counterclaim to be compulsory because it arises out of the transaction that is the subject matter of the original complaint. Rule 13(a), Fed.R.Civ.P. Once summary judgment is granted to the plaintiffs, the decision to retain jurisdiction over a compulsory counterclaim is a matter of judicial discretion. *Harris v. Steinem*, 571 F.2d 119, 122 (2d Cir. 1978).

In *United Mine Workers v. Gibbs*, 383 U.S. 715 (1966), the Court said:

Certainly, if the federal claims are dismissed before trial, even though not insubstantial in a jurisdictional sense, the state claims should be dismissed as well. Similarly, if it appears that the state issues substantially predominate * * * the state claims may be dismissed without prejudice and left for resolution to state tribunals.

In *Hagan v. Lavine*, 415 U.S. 528 (1974), the Court further delineated the situation where dismissal would be appropriate.

But *Gibbs* was oriented to state law claims pendent to federal claims conferring jurisdiction on the District Court. Pendant jurisdiction over state claims was described as a doctrine of discretion not to be routinely exercised without considering the advantages of judicial economy, convenience, and fairness to litigants. For,

"[n]eedless decisions of state law should be avoided both as a matter of comity and to promote justice between the parties, by procuring for them a surer-footed reading of applicable law." Gibbs, at 726 (footnote omitted).

Hagans at 545.

Applying the above principles to this case, the counterclaim should be dismissed. The state tribunals of Massachusetts are uniquely able to deal with actions under G.L. ch. 93A. This case raises none of the considerations that Hagans saw as a reason to retain jurisdiction. Nor is it persuasive that the defendant's third party suit against the singers would change the economic calculations. These two cases would involve different questions of law, different evidence, and, aside from Avalon, different parties. See *Great Horizons Devel. Corp. v. Massachusetts Mut. Life Ins. Co.*, 457 F.Supp. 1066 (D.Ind. 1978) affirmed without opinion, 601 F.2d 596 (7th Cir. 1979) (dismisses counterclaim after granting plaintiff's summary judgement citing Gibbs.).

In accordance with the above, the plaintiffs' motion for summary judgment is **ALLOWED**.

The defendant's counterclaim is **DISMISSED**.

In re Application of **NATIONAL BROADCASTING COMPANY, INC.**,
American Broadcasting Companies, Inc., and CBS, Inc.

No. 80-2427

*(United States Court of Appeals, District of Columbia Circuit — Argued
January 28, 1981 — Decided April 27, 1981)*

653 F.2d 609. 209 U.S.App.D.C. 354

Broadcasting companies appealed order of the United States District Court for the District of Columbia, John Garrett Penn., J., denying their posttrial application for permission to copy video and audiotapes introduced into evidence and played to jury during criminal trial of former Congressman and private citizen. The Court of Appeals, MacKinnon, Circuit Judge, held that district court abused its discretion in denying application; however, innocent third persons who were mentioned on tapes were entitled to file objections to release of those portions of tapes which would inflict unwarranted injury upon them.

Reversed and remanded.

1. Records

There is a right, under common law, to inspect and copy judicial records, and that right extends to records which are not in written form, such as audio and videotapes.

2. Records

Decision as to access to judicial records rests in sound discretion of trial court.

3. Records

Access to judicial records may be denied only if district court, after considering relevant facts and circumstances of particular case, and after weighing interests advanced by parties in light of public interest and duty of the courts, concludes that justice so requires.

4. Records

Denial of common-law right of access to judicial records remains subject to appellate review for abuse.

5. Records

District court abused its discretion in denying broadcasting companies' posttrial application to inspect and copy video and audiotapes introduced into evidence and played to jury during criminal trial of former Congressman and private citizen, since avoiding risk of causing possible prejudice at hypothetical second trial and pendency of fundamental fairness and due process motions, were insufficient reasons to deny access; however, innocent third persons who were mentioned on tapes were entitled to file objections to release of those portions of tapes which would inflict unwarranted injury upon them.

6. Records

Interest in avoiding risk of potential prejudice at hypothetical second trial is seldom of sufficient weight to justify denying access to judicial records which have been displayed in open court.

7. Records

Possible injury to innocent third persons is a factor that may properly be taken into account by district court in passing upon applications to copy and inspect judicial records.

Appeal from the United States District Court for the District of Columbia (D.C. Misc. No. 80-0260).

Floyd Abrams, New York City, with whom Donald J. Mulvihill, Washington, D.C., was on the brief, for appellants.

Dennis M. Hart, Washington, D. C., with whom Kenneth Michael Robinson, Washington, D. C., was on the brief for appellee, Jenrette.

Charles F. C. Ruff, U. S. Atty., John A. Terry, Michael W. Farrell, John T. Kotelly and Michael S. Pasano, Asst. U. S. Attys., Washington, D. C., were on the brief for appellee, United States.

Before MacKINNON, WILKEY and GINSBURG, Circuit Judges.

Opinion for the Court filed by Circuit Judge MacKINNON.

MacKINNON, *Circuit Judge*. Appellants National Broadcasting Company, Inc., American Broadcasting Companies, Inc., and CBS Inc. ("the broadcasters") contend that the district court abused its discretion in denying their post-trial application for permission to copy the video and audio tapes introduced into evidence and played to the jury during the criminal trial of *United States v. John W. Jenrette and John R. Stowe*. We agree and reverse. We leave the door open on remand, however, for inno-

cent third persons who are mentioned on the tapes to file objections to release of those portions of the tapes which would inflict unwarranted injury upon them.

I.

On June 13, 1980, an indictment was filed in the United States District Court for the District of Columbia charging John Jenrette and John Stowe with violations of 18 U.S.C. § 201(c)¹ and 18 U.S.C. § 371.² Jenrette is a former three-term Congressman from the Sixth District of South Carolina; Stowe is a private citizen. These charges arose out of the Federal Bureau of Investigation's "ABSCAM"³ investigation into possible congressional corruption, in which several high federal, state, and local government officials allegedly agreed to perform governmental favors for certain individuals posing as "Middle Eastern businessmen" in return for bribes. The "businessmen" were actually undercover FBI agents, and the bribe moneys were furnished by the government.

At trial a principal part of the government's case consisted of video and audio tapes upon which the FBI agents had surreptitiously recorded the defendants' statements, conduct, and response to the offers of the "foreign businessmen". Members of the press and public who attended the trial saw and heard these tapes as they were played in court. Typewritten transcripts of the audio tapes were released to the media after the tapes were played in

¹ 18 U.S.C. § 201(c) provides:

Whoever, being a public official or person selected to be a public official, directly or indirectly, corruptly asks, demands, exacts, solicits, seeks, accepts, receives, or agrees to receive anything of value for himself or for any other person or entity, in return for:

(1) being influenced in his performance of any official act; or

(2) being influenced to commit or aid in committing, or to collude in, or allow, any fraud, or make opportunity for the commission of any fraud, on the United States; or

(3) being induced to do or omit to do any act in violation of his official duty [] [shall be fined not more than \$20,000 or three times the money equivalent of the thing of value, whichever is greater, or imprisoned for not more than fifteen years, or both, and may be disqualified from holding any office of honor, trust, or profit under the United States.]

18 U.S.C. § 201 (c).

² 18 U.S.C. § 371 provides:

If two or more persons conspire either to commit any offense against the United States, or to defraud the United States, or any agency thereof in any manner or for any purpose, and one or more of such persons do any act to effect the object of the conspiracy, each shall be fined not more than \$10,000 or imprisoned not more than five years, or both.

If, however, the offense, the commission of which is the object of the conspiracy, is a misdemeanor only, the punishment for such conspiracy shall not exceed the maximum punishment provided for such misdemeanor.

18 U.S.C. § 371.

³ The term "ABSCAM" results from combining the first two letters of "Abdul Enterprises, Ltd." the fictitious entity which the "businessmen" allegedly represented, and the word "scam", which in current street dialect denotes "a con game or swindle." William and Mary Morris, *Morris Dictionary of Word and Phrase Origins*, 502 (1971).

the courtroom. Transcripts of the conversations recorded on the video tapes, however, were not so distributed. Guilty verdicts were returned on all counts.

After the trial the broadcasters applied to the court for permission to copy, for the purpose of broadcasting to the public, the video and audio tapes which had been introduced at trial.⁴ The parties to the criminal trial all filed responses to the application; defendant Jenrette opposed it, defendant Stowe took "no position" thereon, and the United States, after initially supporting it, adopted a "neutral position".⁵ The district court heard oral argument on the request, issued a brief order denying the application and later filed a memorandum opinion.⁶

The district court concluded, after "[b]alancing all arguments both for and against the release", that "the potential damage in the event of release of the tapes outweighs any benefit to the public if the tapes are released".⁷ The primary justification for this conclusion was the district court's fear, articulated in a variety of ways, that it would be difficult to empanel a fair and impartial jury if the tapes were televised and a retrial of the case was required. The court also stated that it would be unfair to the defendants to release the tapes at that time, for the court had yet to rule on their motions to dismiss the indictment because of alleged governmental violations of "fundamental fairness" and due process. Finally, the court was concerned that release of the tapes would injure innocent third persons who were mentioned on the tapes. Although the court recognized the public interest in the conduct of public officials,⁸ it concluded that this interest did not

⁴Prior to the commencement of the trial, the broadcasters requested permission to copy the tapes which would be introduced as evidence at the upcoming trial. In a brief order the trial court, noting the opposition of all parties to the trial to the application, denied the request. Joint Appendix ("App.") at 38. Since no appeal was taken from this order, the issues raised thereby are not before us, and we intimate no view on their merits.

⁵The government's initial response was premised on its belief that "at this stage of the proceedings the general public's right to access to the evidence outweighs [sic] any interest of the defendants to limit knowledge of the voices and images contained in the tapes to those persons who were able to attend the trial." App. at 91. The government later changed its position to one of neutrality because of a civil action Jenrette had filed against it prior to the commencement of the criminal trial. App. at 124. In this action, Jenrette seeks declaratory, injunctive and compensatory relief for the alleged violations of his constitutional and statutory rights that are alleged to have occurred during the ABSCAM operation. See *Jenrette v. Abdul Enterprises, Ltd., et al.*, Civil No. 80-1451; App. at 72-88.

The government in this court has adhered to its neutral stance. The government states that although appellants have advanced "strong reasons" why the application should have been granted, the government remains "sensitive" to Jenrette's concerns and those expressed by the district court. Brief for Appellee United States of America at 5.

⁶See *In Re Application of National Broadcasting Co. Inc.*, Misc. No. 80-260 (D.D.C. November 19, 1980), reprinted in App. at 117-127.

⁷*Id.*, slip op. at 11; App. at 127.

⁸*Id.*

overcome those which weighed against the requested release, since the press and public had been given full access to the courtroom during the trial and the case had been widely reported in the press and media.⁹

The broadcasters appealed from the court's order and a motion panel of this court granted their motion for expedited review.

II.

[1] As all parties agree, the existence of the common law right to inspect and copy judicial records is indisputable.¹⁰ This right "serves the important functions of ensuring the integrity of judicial proceedings in particular and of the law enforcement process more generally."¹¹ And although the right was first recognized at a time when records were documentary in nature, it is now settled that the right extends to records which are not in written form, such as audio¹² and video¹³ tapes.

[2] It is equally clear, however, that the right to inspect and copy judicial records is not absolute.¹⁴ Rather, as we observed in *Hubbard*:¹⁵

the tradition of access is not without its time-honored exceptions:

Every court has supervisory power over its own records and files, and access has been denied where court files might have become a vehicle for improper purposes. For example, the common-law right of inspection has bowed before the power of a court to insure that its records are not "used to gratify private spite or promote public scandal" through the publication of "the painful and sometimes disgusting details of a divorce case." Similarly, courts have refused to permit their files to serve as reservoirs of libelous statements for press consumption, or as sources of business information that might harm a litigant's competitive standing.

[*Nixon v. Warner Communications*, 435 U.S. 589, 598, 98 S.Ct. 1306, 1312, 55 L.Ed.2d 570 (1978)] (citations omitted). The public has in the past been excluded, tempor-

⁹*Id.*

¹⁰*United States v. Myers*, 635 F.2d 945, at 949 (2d Cir. 1980); *United States v. Hubbard*, 650 F.2d 293 at 314 (D.C.Cir. 1980); *United States v. Mitchell*, 551 F.2d 1252, 1258 (D.C.Cir. 1976), *rev'd on other grounds sub nom. Nixon v. Warner Communications, Inc.*, 435 U.S. 589, 98 S.Ct. 1306, 55 L.Ed.2d 570 (1978).

¹¹*Hubbard, supra*, 650 F.2d at 315. *See Mitchell, supra*, 551 F.2d at 1258:

This common law right is not some arcane relic of ancient English law. To the contrary, the right is fundamental to a democratic state. As James Madison warned, "A popular Government without popular information, or the means of acquiring it, is but a Prologue to a Farce or a Tragedy: or perhaps both. . . . A people who mean to be their own Governors, must arm themselves with the power which knowledge gives." Like the First Amendment, then, the right of inspection serves to produce "an informed and enlightened public opinion." Like the public trial guarantee of the Sixth Amendment, the right serves to "safeguard against any attempt to employ our courts as instruments of persecution," to promote the search for truth, and to assure "confidence in . . . judicial remedies."

¹²*Mitchell, supra*, 551 F.2d at 1258 n.21.

¹³*Myers, supra*, 635 F.2d at 950.

¹⁴*Nixon, supra*, 435 U.S. at 598, 98 S.Ct. at 1312; *Hubbard, supra*, 650 F.2d at 316; *Mitchell, supra*, 551 F.2d at 1260.

¹⁵*Hubbard, supra*, 650 F.2d at 315-316 (footnotes omitted).

arily or permanently, from court proceedings or the records of court proceedings to protect private as well as public interests: to protect trade secrets, or the privacy and reputation of victims of crimes, as well as to guard against risks to national security interests, and to minimize the danger of an unfair trial by adverse publicity.

Because of the difficulties inherent in formulating a broad yet clear rule to govern the variety of situations in which the right of access must be reconciled with legitimate countervailing public or private interests, the decision as to access is one which rests in the sound discretion of the trial court.¹⁶

[3, 4] This discretion, however, is not open-ended. Rather, access may be denied only if the district court, after considering "the relevant facts and circumstances of the particular case",¹⁷ and after "weighing the interests advanced by the parties in light of the public interest and the duty of the courts",¹⁸ concludes that "justice so requires".¹⁹ The court's discretion must "clearly be informed by this country's strong tradition of access to judicial proceedings".²⁰ In balancing the competing interests, the court must also give appropriate weight and consideration to the "presumption—however gauged—in favor of public access to judicial records."²¹ Any denial or infringement of this "precious"²² and "fundamental"²³ common law right remains subject to appellate review for abuse.²⁴

III.

[5] We now consider whether the district court abused its discretion in denying the broadcasters' *post-trial* application to inspect and copy the video and audio tapes. The broadcasters argue that the court erred by failing to give sufficient weight to the interests weighing in favor of the application and by failing to follow our decision in *United States v. Mitchell*²⁵ and the Second Circuit's decision in *United States v. Myers*.²⁶ The broadcasters contend that *Myers* is particularly persuasive here, since *Myers* approved an order allowing the broadcasters to copy the video

¹⁶*Nixon, supra*, 435 U.S. at 599, 98 S.Ct. at 1312; *Hubbard, supra*, 650 F.2d at 316; *Mitchell, supra*, 551 F.2d at 1260.

¹⁷*Nixon, supra*, 435 U.S. at 599, 98 S.Ct. at 1312.

¹⁸*Id.* at 602, 98 S.Ct. at 1314.

¹⁹*Mitchell, supra*, 551 F.2d at 1260.

²⁰*Hubbard, supra*, 650 F.2d at 317 n.89.

²¹See *Nixon, supra*, 435 U.S. at 602, 98 S.Ct. at 1314; *Hubbard, supra*, 650 F.2d at 317; see also *Mitchell, supra*, 551 F.2d at 1262 (access should be denied only when those who object to the exercise of the common law right to inspect and copy judicial records have "sustained [their] burden of demonstrating that justice required denying access to the court records.").

²²*Mitchell, supra*, 551 F.2d at 1260.

²³*Id.* at 1261.

²⁴*Id.* at 1260; see *Hubbard, supra*.

²⁵*United States v. Mitchell*, 551 F.2d 1252 (D.C.Cir.1976), *rev'd on other grounds sub nom. Nixon v. Warner Communications Inc.*, 435 U.S. 589, 98 S.Ct. 1306, 55 L.Ed.2d 570 (1978).

²⁶*United States v. Myers*, 635 F.2d 945 (2d Cir. 1980).

tapes introduced into evidence in the ABSCAM trial of Congressman Myers on the same day that they were played to the jury. Appellee Jenrette maintains that the district court simply cannot be said to have abused its discretion under the circumstances of this case. We find ourselves in essential agreement with the broadcasters.

The only consideration given by our district court to the interests favoring the application was its recognition that the public has a legitimate interest in learning of the conduct of its elected officials.²⁷ But in recognizing this interest, the court also found, in essence, that it had been served by the fact that the trial had been widely publicized and had been open to the public and the press. We think this analysis gives short shrift to the many factors favoring release of the tapes at issue here.

First, the fact that the tapes were admitted into evidence and played to the jury weighs heavily in favor of the application. As we have previously observed, "the general rule is that '[a] trial is a public event,' and '[w]hat transpires in the court room is public property.'"²⁸ Second, the tapes had been seen and heard by those members of the press and public who attended the trial. Our cases have recognized that such previous access is a factor which lends support to subsequent access.²⁹ Third, the tapes contain only admissible evidence, were introduced for the purpose of proving the guilt of the defendants, and were obviously relied upon by the jury in finding the defendants guilty of the offenses charged. Thus, releasing the tapes will promote the integrity of the judicial process, for such will open at least part of the proceedings to those members of the public who could not attend the trial and will thereby enable them, to some degree, to consider for themselves the merits of the jury verdict,³⁰ and the validity of the investigation that produced the evidence. Fourth, the nature of the trial itself is a factor which provides strong support for the application. As noted above, this case involves issues of major public importance—a high government official has been charged with, and convicted of, betraying the public trust, and law enforcement agencies have been accused of employing tactics which subvert the constitutional rights of the citizenry. Thus, although the public's First Amendment right of access to the trial itself was fully respected in this case,³¹ and although the case was reported by the press and broadcast media, we believe that following the trial "there remains a legitimate and important interest in affording members of the public their own opportunity to see and hear evidence that records the activities of a Member of Congress . . . as well as agents of the Federal Bureau of In-

²⁷*In re Application of National Broadcasting Co. Inc.*, *supra*, 635 F.2d at 951; App. at 127.

²⁸*Mitchell*, *supra*, 551 F.2d at 1261, quoting *Craig v. Harney*, 331 U.S. 367, 374, 67 S.Ct. 1249, 1254, 91 L.Ed. 1546 (1947).

²⁹*Mitchell*, *supra*, 551 F.2d at 1260–61; see *Hubbard*, *supra*, 650 F.2d at 318.

³⁰Compare *Hubbard*, *supra*, at 321.

³¹See *Richmond Newspapers, Inc. v. Virginia*, 448 U.S. 555, 100 S.Ct. 2814, 65 L.Ed.2d 973 (1980).

vestigation.”³² Finally, the tapes sought are fully encompassed by the presumption in favor of access to judicial records. In sum, we conclude that the instant facts present a strong case for recognizing the common law right to inspect and copy judicial records.

In denying the broadcasters’ application the court relied primarily upon the defendants’ interest in securing a fair and impartial jury should their cases be retried. The court noted that several defense motions were pending before it which the court characterized as “not frivolous.”³³ If new trials were granted, the court stated, release of the tapes would jeopardize the defendants’ rights because (1) the broadcasters probably would play portions of the tapes at or near the beginning of any retrial, accompanied by references to the prior verdicts and the court’s rulings on the defendants’ motions and (2) the broadcasters probably would not play the tapes in their entirety, due to time restrictions, but would air only selected portions of the tapes in a manner presenting the defendants in the most unfavorable light.³⁴

Protecting the rights of Jenrette and Stowe in the event of new trials is a perfectly valid consideration, but our decision in *Mitchell* makes it clear that restricting the common law right to inspect and copy judicial records is rarely the proper protection.

In *Mitchell*, following the conclusion of the Watergate conspiracy trial, the district court refused to allow several television stations and a large manufacturer of phonograph records to copy the audio tapes which had been introduced into evidence and played to the jury in that case. The court stated that it was “unwilling to ‘take any action which carries the risk of causing possible prejudice’ ” to the convicted defendants should their convictions be reversed on appeal.³⁵ We held that the trial court abused its discretion in refusing to release the tapes merely to avoid the risk of caus-

³²*Myers, supra*, 635 F.2d at 952.

³³*In re Application of National Broadcasting Co. Inc., supra*, slip op. at 8; App. at 124. These motions included the defendants’ motions to dismiss the indictment based upon alleged governmental violations of “fundamental fairness” and due process, the defendants’ motions for judgment of acquittal, and Stowe’s motion for a new trial based upon the court’s refusal to sever his case from Jenrette’s. *Id.* The court also noted that Jenrette intended to file a motion for a new trial. *Id.* Jenrette has informed us that he has indeed done so, alleging certain “procedural errors in the conduct of the trial, including the admission of certain testimony and the refusal of the trial Court to give a defense requested instruction on coercion.” Brief of Appellee John W. Jenrette at 14.

³⁴*In re Application of National Broadcasting Co., Inc. supra*, slip op. at 9; App. at 125. The court also stated that any second jury might have to be sequestered, if the tapes were released, since portions of the tapes may be shown in such a way as to make a fair trial impossible, and since some of the tapes played to the first jury might not be shown to the second. *Id.* at 9-10; App. at 125-26.

³⁵*Mitchell, supra*, 551 F.2d at 1261.

ing possible prejudice at a “*hypothetical*” second trial.³⁶ First, we doubted whether the risk of potential prejudice at a hypothetical second trial could ever justify infringing upon the common law right of access to judicial records. We noted that this argument, taken to its logical conclusion, could result in the tapes never being released since any conviction is always subject to the possibility of successful collateral attack.³⁷ More importantly, however, we found that the risk of prejudice was not sufficiently grave in that case to justify the district court’s action. The tapes at issue contained only admissible evidence, and not “an inadmissible confession, a list of prior convictions or other prejudicial evidence that, although part of the court’s records, was kept from the jury”.³⁸ We also considered it unlikely that listening to the tapes prior to any retrial would “render every listener incapable of ‘lay[ing] aside his impression or opinion and render[ing] a verdict based on the evidence presented in court.’ ”³⁹ We found support for this conclusion in the conduct of the parties at the trial, noting that neither the defendants nor the government had objected to the release of the tapes at the time the district court issued its opinion.⁴⁰

We think *Mitchell* is fully applicable here. Although the trial court characterized the motions filed by Jenrette and Stowe as “nonfrivolous”, the prospect of a retrial remains speculative. We accordingly still remain wary of sanctioning denial of a post-trial application to copy and inspect judicial records based on the pendency of new trial requests that may ultimately be denied, although they cannot be dismissed at the threshold as frivolous. This is not a case where the court has indicated it is inclined to grant a new trial.

³⁶*Id.* (emphasis in original).

The applicants in *Mitchell* filed their first formal application to copy the tapes during the Watergate trial itself. Because the demands of the trial were too great for him to pass upon the application, Judge Sirica referred the matter to Judge Gesell, who granted the application. Anticipated administrative and mechanical difficulties, however, led Judge Gesell to order that the tapes not be copied until the trial, which was in its final stages, had concluded. He also directed the parties to submit proposals concerning the manner in which the tapes should be duplicated. Judge Gesell rejected the initial proposal submitted. By this time, however, the trial had ended and the matter was referred back to Judge Sirica, who ruled that the tapes should not be released at that time. *See Mitchell, supra*, 551 F.2d at 1256–57. On appeal, we held not only that Judge Sirica abused his discretion in refusing to release the tapes, *id.* at 1261–63, but also that Judge Gesell acted within the scope of his discretion in granting the original application, despite the arguments raised by former President Nixon that disclosure would contravene the confidentiality of presidential conversations and would invade the privacy of those, including himself, whose voices appeared on the tapes, *id.* at 1263–65.

³⁷*Id.* at 1262.

³⁸*Id.*

³⁹*Id.* quoting *Irwin v. Dowd*, 366 U.S. 717, 722–23. 81 S.Ct. 1639, 1642–1643, 6 L.Ed.2d 751 (1961)

⁴⁰*Id.* at 1262–63.

Furthermore, should the presently hypothetical second trial become a reality, we find nothing in the record to indicate that there would be significant difficulty in assembling a panel of the "impartial, 'indifferent' jurors" to which the defendants would be constitutionally entitled.⁴¹ We agree that broadcasting the video and audio tapes might increase the percentage of the potential venire which possesses some knowledge of the facts and issues, and even the evidence, involved in the case. We also acknowledge that the tapes may be broadcast in a manner which does not give "equal time" to the portions Jenrette contends support his claim of innocence. We also think it likely, however, that a significant percentage of the potential jury pool will not see or hear the tapes, or if they do, will quickly forget much of what they saw. In the words of the Second Circuit, we think there is somewhat of a tendency to "frequently overestimate the extent of the public's awareness of news".⁴²

As to those potential jurors who do see and hear the tapes, and upon whom they make a more substantial impression, we doubt, as we did in *Mitchell*, whether such exposure will render it impossible to secure a qualified jury. As in *Mitchell*, the tapes at issue here contain only admissible evidence and were played to the first jury. As in *Mitchell*, we have no record basis for believing the same tapes will not be played in their entirety to any second jury. Thus, broadcasting the tapes will not expose those potential jurors who see or hear them to any legally prejudicial evidence which, as jurors in the second trial, they would be barred from viewing or considering in reaching a verdict. Furthermore, we have no reason to believe that the broadcasting of the tapes will be so prolonged or so intensive that it would create more prejudice than the unequalled media publicity which preceded the Watergate trials and which this court en banc held did not deny a fair trial.⁴³

⁴¹See *Murphy v. Florida*, 421 U.S. 794, 799, 95 S.Ct. 2031, 2035, 44 L.Ed.2d 589 (1975); *Irwin v. Dowd*, 366 U.S. 717, 722, 81 S.Ct. 1639, 1642, 6 L.Ed.2d 751 (1961); *United States v. Haldeman*, 559 F.2d 31, 60-63, 70-71 (D.C.Cir.1976) (en banc), *cert. denied*, 431 U.S. 933, 97 S.Ct. 2641, 53 L.Ed.2d 250 (1977).

⁴²*Myers*, *supra*, 635 F.2d at 953.

⁴³*Haldeman*, *supra*, 559 F.2d at 70-71. We also note the experience of Judge Pratt, the district judge in Brooklyn who granted the broadcasters' application in the *Myers* case. Shortly thereafter Judge Pratt presided over the ABSCAM Trial of Congressman Frank Thompson, Jr., which commenced after the tapes from the *Myers*' trial had been released. The judge commented that, as he had suspected, he was able to obtain an impartial jury, notwithstanding the release of the tapes. App. at 113.

We also note that existing studies, while not conclusive, support the view that pretrial publicity does not affect jurors to the degree some believe. One commentator, after reviewing the existing data, concluded:

experiments to date indicate that for the most part juries are able and willing to put aside extraneous information and base their decisions on the evidence. The results show that when ordinary citizens become jurors, they assume a special role in which they apply different standards of proof, more vigorous reasoning, and greater detachment.

Finally, to the extent that some members of the potential jury pool are so affected by the broadcasting of the tapes that they are unqualified to sit under these standards, voir dire has long been recognized as an effective method of rooting out such bias,⁴⁴ especially when conducted in a careful and thoroughgoing manner.⁴⁵ Chief Justice Burger discusses other therapeutic measures in *Nebraska Press Ass'n v. Stuart*.⁴⁶

Appellee Jenrette nevertheless argues that the likelihood of prejudice in this case is extremely great. Jenrette points out that this case differs from *Mitchell* since neither the government nor the defendants there objected to release of the tapes at issue, while here he objects to their release. He also contends *Myers* is inapplicable because it is factually distinguishable on a number of grounds. According to Jenrette, these factors, some of which were relied upon by the district court, compel the conclusion that the district court properly denied the broadcasters' application.

We disagree. *Mitchell* by no means held that "prejudice exists when a party objects, and does not if one does not". Rather, *Mitchell* simply recognized that the conduct of the parties to the trial is evidence which may be considered in determining whether there exists a truly significant risk of prejudice. And the parties' conduct in this case lends support to our conclusion that the risk in this case does not warrant denial of the broadcasters' post-trial application, for of the three parties involved, neither Stowe, whose rights in the event of a retrial are at stake,⁴⁷ nor the govern-

Simon, *Does the Court's Decision in Nebraska Press Association Fit the Research Evidence on the Impact on Jurors of News Coverage?*, 29 Stan.L.Revc. 515, 528 (1978).

⁴⁴See *United States v. Burr*, 25 Fed.Cas. 49, 51 (Cas. No. 14,692) (1807) (Marshall, C. J.).

⁴⁵See e. g. *Haldeman, supra*, 559 F.2d at 64-71, *Calley v. Callaway*, 519 F.2d 184, 203-212 (5th Cir. 1975) (en banc), cert. denied, 425 U.S. 911, 96 S.Ct. 1505, 47 L.Ed.2d 760 (1976); *Margoles v. United States*, 407 F.2d 727, 730 (7th Cir.), cert. denied, 396 U.S. 833, 90 S.Ct. 89, 24 L.Ed.2d 84 (1969). In the event voir dire reveals insurmountable prejudice, of course, additional measures exist, such as the granting of a continuance or a change of venue, to protect the rights of the defendants. Jenrette argues that "[i]n light of the pervasive influence of the media, a change of venue may accomplish so little insulation as to prove useless", Brief of Appellee John W. Jenrette at 19. We admit that airing the tapes may make selection of a jury more difficult, but we also "do not believe the public at large must be sanitized as if they all would become jurors", *Myers, supra*, 635 F.2d at 953. And although Jenrette also contends that "the spector [sic] of a contaminated jury sitting in judgment of appellee's civil charge of unlawful government conduct is . . . a judicial certainty", Brief of Appellee John W. Jenrette at 15, an intensive and thoroughly conducted voir dire should ensure that the jurors selected for the civil case also have not been tainted by pretrial publicity.

⁴⁶*Nebraska Press Ass'n v. Stuart*, 427 U.S. 539, 563-65, 96 S.Ct. 2791, 2804-2805, 49 L.Ed.2d 683 (1978).

⁴⁷Jenrette urges us to discount Stowe's failure to object on the grounds that Stowe does not face the possibility of a second trial. Jenrette argues that since Stowe did not dispute any of the elements of the offenses charged, relying on a pure entrapment defense, any appellate reversal of Stowe's conviction will not result in a retrial. This argument ignores Stowe's still undecided motion for a new trial based upon the district court's denial of his motions to sever.

ment, object to releasing the tapes. Thus, we remain of the view that this case is fairly covered by the holding in *Mitchell*.

We also find the distinctions drawn between this case and *Myers* to be inaccurate or unpersuasive. Jenrette contends that *Myers* does not support the broadcasters' application because Congressman Myers does not face the possibility of a retrial. Jenrette contrasts this with his case, in which motions for retrials are outstanding. This purported distinction, however, lends little support to Jenrette's cause. For although *Myers* does not address the effect of releasing the tapes on any potential retrial of Myers, it does address the effect of releasing the tapes on subsequent trials of Myers' three co-defendants which were scheduled to occur, if the defendants did not plead.

At the time the trial court granted the broadcasters' application, three defendants indicted and tried along with Congressman Myers faced future ABSCAM trials on indictments unrelated to the charges brought in *Myers*. These three defendants argued to the Second Circuit that releasing the tapes would have a prejudicial effect on their ability to secure fair and impartial juries in these subsequent trials. The Second Circuit nevertheless affirmed the trial court's order, specifically rejecting the argument that broadcasting the *Myers*' tapes "pose[d] the kind of risk to fair trials . . . that justifies curtailing the public's right of access to courtroom evidence."⁴⁸ Thus, given that future trials were almost certain to occur in *Myers*, while here they remain a mere possibility, the *Myers* decision not only fails to support Jenrette's argument but actually weighs against it.⁴⁹

Jenrette also attempts to distinguish *Myers* on the grounds that Congressman Myers did not assert the defense of entrapment, as did he, and entrapment is a difficult concept for layman to understand. The significance of this distinction apparently lies in the assumption that the concept will be even more bewildering to layman after they have seen the tapes at issue here. Another purported distinction between the cases is that the population of New York is less "sensitive" to, and less interested in, news concerning the activities of persons in the federal government than the citizens of the District of Columbia. We do not find these arguments persuasive. Acknowledging that Myers did not assert the defense of entrapment, and even engaging in the somewhat dubious assumption that the population of the District of Columbia would be affected to a greater degree than the population of New York by viewing and hearing the tapes, the fact remains that any retrial of Jenrette or Stowe at this stage is speculative. And assuming that the hypothetical retrials become realities, we remain convinced that the trial court possesses sufficient means to combat any threats to the rights of the defendants.⁵⁰

⁴⁸*Myers, supra*, 635 F.2d at 953.

⁴⁹In addition, there is no support for the contention that defendant Myers might not secure a retrial of his case. If Myers successfully appeals his conviction, a retrial may follow.

⁵⁰See p. 617 *supra*.

[6] We thus adhere to our holding in *Mitchell* that the interest in avoiding the risk of potential prejudice at a *hypothetical* second trial is seldom of sufficient weight to justify denying access to judicial records which have been displayed in open courts. We also conclude that there has been no showing in this case that the risk of prejudice is so grave that it outweighs the interests favoring release of the tapes.

Another factor the district court found to weigh in favor of denying the broadcasters' application was that it seemed "unfair" to the defendants to release the tapes when the court had yet to rule on their nonfrivolous motions to dismiss the indictment for lack of fundamental fairness and due process.⁵¹ Noting that Jenrette claimed to have been "targeted by political enemies", the court considered that the defendants should have the opportunity to make further arguments concerning the release of the tapes if the evidence bore out Jenrette's contention.⁵² The court stated that, if Jenrette's claim were true, it could be argued that "release of the tapes would be used to gratify a private spite."⁵³

Appellee Jenrette urges that the district court acted altogether properly. He points out that although the court has yet to rule on these motions, it has held two sets of hearings thereon, and has ordered a significant amount of post-trial discovery into the government's conduct, including the production of 25 volumes of ABSCAM related material for its own *in camera* review. These developments, it is urged, further demonstrate the nonfrivolous nature of the motions.

The pendency of the fundamental fairness and due process motions, in our opinion, does not outweigh the broadcasters' right to inspect and copy the tapes. These motions, as we understand them, assert that the indictment should be dismissed because of governmental misconduct, regardless of what the defendants may have done—that is, regardless of whether the actions of the defendants would otherwise amount to prosecutable crimes. These motions apparently do not challenge the integrity of the tapes—for example, that they have been doctored in any fashion—nor do they contend the conduct and statements recorded thereon did not occur or were inaccurately recorded. Furthermore, the tapes have already been seen and heard by the jury and those members of the press and public who attended the trial, and the media coverage thereof has made their contents known to some degree to the public. Under these circumstances, while the media may in a sense be flogging a dead horse, we see no "unfairness" in permitting the public at large to see and hear now what has already been publicly viewed and heard in court, what the defendants do not claim did not occur, and what the jury evidently considered to be weighty evidence of criminal misconduct.⁵⁴ And, under these circumstances, Jenrette's concern

⁵¹*In re Application of National Broadcasting Co., Inc.*, *supra*, slip op. at 10; App. at 126.

⁵²*Id.*

⁵³*Id.*

⁵⁴*See Myers*, *supra*, 635 F.2d at 952.

for his reputation and any embarrassment which may flow from the additional disclosure of the tapes is entitled to little weight, for "the embarrassment . . . anticipate[d] is largely that which results whenever misconduct or questionable conduct is exposed."⁵⁵ Any "unfairness" to Jenrette which may result from the release of the tapes will be sufficiently countered by the publicity which will surely accompany any dismissal of the indictment, if that should occur. The nature and the extent of the government's misconduct will undoubtedly be as newsworthy as the criminal activities in which the jury found both Jenrette and Stowe to have engaged.

The district court also grounded its denial of access on the possible injury and invasion of privacy which might be inflicted upon innocent third persons who were referred to on the tapes by either the defendants or the FBI operatives, and who were sometimes held up to public ridicule. The court cited as one example of this potential harm an unsupported remark on a portion of the tapes that another member of Congress was susceptible to taking a bribe.

[7] Possible injury to innocent third persons is certainly a factor that may properly be taken into account by the district courts in passing upon applications to copy and inspect judicial records.⁵⁶ For example, in *In Re Application of KSTP Television For Video Tapes in the Case of United States of America v. Ming Sen Shiue*,⁵⁷ a television station callously sought to copy and televise three hours of color videotapes that had been introduced into evidence and played to the jury in the federal kidnapping trial of defendant Shiue. Shiue, an electronics expert, had kidnapped and repeatedly raped a woman, who was a church missionary worker and the wife of a clergyman, and had videotaped the entire nine hour ordeal. The court received into evidence only those tapes which recorded the conversations and conduct which occurred preliminary to the actual rapes. These tapes showed the blindfolded victim lying on a blanket on the floor, with her hands and feet bound. The victim, the government, and the defendant all objected to the release of the tapes.

After reviewing the decisions in *Mitchell*, *Nixon*, and *Myers*, Judge Devitt denied the application. He reasoned that releasing the tapes would not advance the public interest, as would the airing of alleged criminal conduct of high public officials in the Watergate and ABSCAM cases, but would rather serve the improper purpose of supporting sensationalism and pandering to prurient interests.⁵⁸ And in the strongest of language, he

⁵⁵*Mitchell*, *supra*, 551 F.2d at 1263-64. We note that Jenrette has made no claim that releasing the tapes will cause him the type of embarrassment which we have recognized might be worthy of protection, such as that flowing from "republishing of highly personal matters", for example, "recordings of bedroom or other intimate conversations". *Id.* at 1263.

⁵⁶See *Hubbard*, *supra*, 650 F.2d at 323-324.

⁵⁷*In re Application of KSTP Television For Video Tapes in the Case of United States of America v. Ming Sen Shiue*, 504 F.Supp. 360 (D.Minn.1980).

⁵⁸*In re Application of KSTP*, *supra*, at 363.

refused to release the tapes when to do so would "expose [the victim] to public humiliation and degradation[,] . . . would . . . be unseemly and shameless[,] . . . [and] would constitute an unconscionable invasion of privacy."⁵⁹

We agree fully with Judge Devitt's decision, and admit that we find the interest in avoiding injury to innocent third persons to be the most significant interest identified by the district court which weighs against the broadcasters' application. However, out of all the material contained in the tapes played to the jury, the district court identified only one objectionable remark. This indicates to us that the overwhelming majority of the recordings sought pose no threat of such harm. We also note that none of the innocent third persons involved, including the aforementioned member of Congress, objected in any manner to the broadcasters' application, either in the district court or in this court. Possibly they were unaware of the reference. We are nevertheless mindful of the harm to innocent third persons which could flow from public dissemination of libelous or other harmful material contained in the tapes. Accordingly, we direct the district court on remand to order the deletion of the reference to the member of Congress and to receive any objections which innocent third persons mentioned on the tapes might make to release of those portions of the tapes which contain objectionable material. Such objections should be considered in light of the principles set forth in this opinion. If the objections are found to be meritorious, the district court may sanitize the objectionable portions of the tapes to remove the offending remarks or order that the identity of the innocent third persons be deleted.⁶⁰

IV.

In summary, we conclude that the district court abused its discretion when it denied the broadcasters' post-trial application to inspect and copy the video and audio tapes introduced into evidence and played to the jury in the criminal trial of Jenrette and Stowe.⁶¹ As noted above, the trial

⁵⁹*Id.* at 363.

⁶⁰Jenrette also argues that release of the tapes would violate the due process clause of the Constitution. This conclusion flows, he argues, from the Supreme Court's alleged holding in *Estes v. Texas*, 381 U.S. 532, 85 S.Ct. 1628, 14 L.Ed.2d 543 (1965) that the televising of a trial itself constitutes a violation of due process, and from the fact that the tapes sought here constitute the "bulk" of the government's case. Thus, broadcasting the tapes amounts to an impermissible broadcasting of the trial itself. Brief of Appellee John W. Jenrette at 17. To reject this argument, we need only note the Supreme Court's recent holding (and clarification of *Estes*) that the act of televising a trial does not amount to a per se violation of due process. *Chandler v. Florida*, ____ U.S. ____, 101 S.Ct. 802, 66 L.Ed.2d 740 (1981).

⁶¹At oral argument, counsel for Jenrette indicated that some of the tapes which had been introduced into evidence had not been played to the jury. If this is so, these tapes were not within the scope of the broadcasters' application, which specifically requested permission to copy only "the video and audio tapes that were admitted into evidence and played to the jury in open court". App. at 39. The district court's opinion was accordingly limited to ruling

raised issues of major public importance relating to the conduct not only of the defendants but also of government law enforcement agents. The interests supporting the broadcasters' application, including the presumption of access, weigh heavily in favor of releasing the tapes. The countervailing interests, except as to innocent third persons, whether considered in isolation or in combination, are insufficient, in our opinion, to justify shielding the tapes from public scrutiny. Accordingly, the order of the district court is REVERSED and the case is REMANDED for further proceedings consistent with this opinion.

JUDGMENT ACCORDINGLY.

**NATIONAL CONFERENCE OF BAR EXAMINERS, et. al. v.
MULTISTATE LEGAL STUDIES, INC.**

No. 78 C 4217

(United States District Court, N. D. Illinois, E. Div. — Decided March 4, 1981)

212 USPQ 486

[See also 495 F.Supp. 34, 205 USPQ 720, 44 C.O.Bull. 743 (N.D.Ill., Jan. 28, 1980); 211 USPQ 144, 44 C.O.Bull. 749 (N.D.Ill., July 31, 1980); 212 USPQ 673, and *infra* (N.D. Ill., July 15, 1981); 692 F.2d 478, 216 USPQ 279, 46 C.O.Bull. 970 (7th Cir.—*Affirmed in part and reversed in part*, Nov. 2, 1982—*Rehearing denied*, Jan. 18, 1983); *Multistate Legal Studies, Inc. v. Ladd*, 464 U.S. 814, 104 S.Ct. 69, 78 L.Ed.2d 83, 220 USPQ 480 (U.S. Sup. Ct.—*Certiorari denied*, Oct. 3, 1983)]

Action by National Conference of Bar Examiners, and Educational Testing Service, against Multistate Legal Studies, Inc., for copyright infringement and unfair competition, in which defendant counterclaims for declaration of copyright invalidity and unenforceability

upon the tapes requested by the broadcasters, *In re Application of National Broadcasting Co. Inc.*, *supra*, 435 F.2d at 947, and the broadcasters' notice of appeal raises only the issue of whether the district court erred in refusing to release the requested tapes, App. at 128. Thus, the question whether tapes which were not played to the jury should be released, if sought, is not before us, and we express no opinion thereon. Our decision does not require the release of such tapes. We note only that substantially different considerations may come into play when the records sought have not previously been made public. See *Hubbard, supra*.

(Register of Copyrights, counterdefendant). On plaintiffs' motions to file amended complaint and to strike defendant's jury demand, and defendant's motion to compel production of documents. Plaintiffs' motion to file amended complaint granted.

COPYRIGHTS

1. Accounting—Damages—Copyrights

Pleading and practice in courts—Jury trial—In general

Copyright Act Section 504(c)(2), which must be concerned with punitive damages, should be construed to submit question of willfulness to jury and leave it to court to assess amount of these damages if willfulness is found by jury.

2. Costs—Attorney's fees

Copyright Act Section 505 refers merely to discretion of "court" in assessing reasonable attorney's fees and costs, but in this respect liability for attorney's fees is matter that can be submitted to jury.

3. Pleadings and practice in courts—Jury trial—In general

Infringement—In general

Question of copyright infringement is one that can ordinarily be determined by jury; if question of infringement or non-infringement appears to be without substantial dispute on facts, court can either direct verdict for one side or other, or can set aside unsupported verdict.

4. Infringement—In general

Fair use defense is governed in substance by 17 U.S.C. 107.

Robert M. Newbury, Patricia S. Smart, and Pattishall, McAuliffe & Hofstetter, all of Chicago, Ill., for plaintiffs.

Paul F. Stack and Stack & Filpi, both of Chicago, Ill., for defendant.

McMILLEN, District Judge. Plaintiffs have filed a motion to amend their complaint in this case by limiting the relief sought to "an injunction, statutory damages for copyright infringements, delivery of all infringing materials, and costs including reasonable disbursements and attorneys' fees." One apparent purpose of the amendment is to cancel the defendant's jury demand, and accordingly plaintiffs also move to strike the jury demand. We have decided to allow the amended complaint to be filed but will not strike defendant's jury demand.

Although plaintiffs' motions are deceptively simple, they raise an issue which has received some conflicting treatment by the courts and which has never been completely resolved either by the Supreme Court of the United States or the Seventh Circuit Court of Appeals. The issue is whether an action for infringement of a copyright is equitable or whether it is a legal claim to which the defendant is entitled to its rights under the Seventh Amendment to the Constitution of the United States. Although the principal relief sought by the plaintiffs is equitable, they cannot avoid the conclusion that some of the relief smacks of an action at law. Thus they have pleaded in their amended complaint a hybrid action in both law and equity, although of course these common law distinctions are not generally

significant under the Federal Rules. The issue to be decided is, in our opinion, whether the plaintiffs have converted a complaint which was basically one at law into one in equity.

Count I of the Amended Complaint alleges that plaintiffs obtained a copyright of their 1977 and 1978 Multistate Bar Examinations and that defendant has been copying and using a large number of the questions which appeared on one of these examinations. Plaintiffs therefore seek the relief of (1) statutory damages; (2) reasonable disbursements and attorneys' fees; and (3) delivery to plaintiffs of all "infringing materials and all plates and other materials for making" them. Plaintiffs also seek an injunction for further infringements, all of which relief is provided for in 17 U.S.C. §§ 501 et seq. Count II alleges false representations and false designations of origin in violation of 15 U.S.C. § 1125 and Ill. Rev. Stat. ch. 121½, § 311-318. This count also seeks an injunction and attorneys' fees and costs. It is obvious therefore that plaintiffs seek more than mere equitable relief, particularly in Count I.

However, § 504(c)(2) of the Copyright Act provides:

In a case where the copyright owner sustains the burden of proving, and the court finds, that infringement was committed willfully, the court in its discretion may increase the award of statutory damages to a sum of not more than \$50,000.

Thus the reference in the statute to the "court" and to "statutory damages" leads the plaintiff to contend that Congress did not contemplate use of a jury in awarding damages and that the award of statutory damages does not involve an action of law. Apparently plaintiffs would agree that the award of punitive damages could require the use of a jury, however.

It is well-settled that willful or wanton conduct is the basis for punitive damages, and § 504(c)(2) is based solely upon willful conduct of the defendant. Even the statutory damages which can be awarded under § 504(c)(1) are not less than \$250 and not more than \$10,000. It has generally been understood that Congress provided for these liquidated damages because of the difficulty of proving actual damages. *Brady v. Daly*, 175 U.S. 148, 154 (1899). This is further illustrated by some of the cases relied upon by plaintiffs in which the playing of musical numbers by a jukebox constitutes the infringement, where there is no practical way of determining the number of times this has occurred and the amount of royalties of which the plaintiff has therefore been deprived. See *Cayman Music, Ltd. v. Reichenberger*, 403 F.Supp. 794, 189 USPQ 301 (W.D. Wis. 1975) and *Broadcast Music, Inc. v. Papa Johns, Inc.*, 201 USPQ 302 (N.D. Ind. 1979).

[1] We cannot agree, however, that damages up to \$50,000 as provided in § 504(c)(2) are the same type as those provided in § 504(c)(1), although both subsections refers to "statutory damages." Section 504(c)(2) must be concerned with punitive damages, since a plaintiff would not ordinarily be

entitled to five times more damages for an infringement which is willful than for one which was not. We therefore believe that the language of § 504(c)(2) (*supra* p. 3) should be construed to submit the question of willfulness to the jury and leave it to the court to assess the amount of these damages if willfulness is found by the jury.

[2] We are also persuaded that a jury is required by the fact that plaintiffs seek an award of reasonable attorneys' fees and costs, albeit based on the statute. Merely because a form of relief arises from a statute does not mean that it cannot be a legal claim, as has been well-established in anti-trust litigation, to cite one instance. Sections 505 of the statute refers merely to the discretion of the "court" in assessing reasonable attorney's fees and costs, but in this respect again the *liability* for attorney's fees is a matter which can be submitted to a jury.

[3] Finally, the question of infringement itself is one which can ordinarily be determined by a jury, as is done on occasion in patent cases. It so happens that the subject matter in the case at bar involves questions testing the legal qualifications of applicants for admission to the bar, but in most infringement cases the subject matter is more likely to be literature or musical compositions with which jurors are more conversant. The right to a jury cannot depend upon the nature of the subject matter, however. In any event, if the question of infringement or non-infringement appears to be without substantial dispute on the facts, the court can either direct a verdict for one side or the other or can set aside an unsupported verdict.

The Supreme Court's decision in *Dairy Queen, Inc. v. Wood*, 369 U.S. 469, 133 USPQ 294 (1962) dealt with a case where the plaintiff sought a money judgment based on an accounting and also an injunction for infringement and for breach of a contract which restricted the use of a trademark. The trial court struck the defendant's jury demand, the Court of Appeals for the Third Circuit refused a mandamus, and the Supreme Court, by Justice Black, reversed and ruled that mandamus should issue. The court held in substance that plaintiff was entitled to a trial by jury in a hybrid case involving both equitable and legal issues and that a prayer for an "accounting" did not render the case one merely in equity. The court applied Federal Rule 18(b) and followed *Beacon Theaters, Inc. v. Westover*, 359 U.S. 500 (1959) in concluding at p. 479:

A jury, under proper instruction from the court, could readily determine the recovery, if any, to be had here, whether the theory finally settled upon is that of breach of contract, that of trademark infringement, or any combination of the two.

The concurring opinion of Mr. Justice Harlan, who was equally as doctrinaire as Justice Clark when Constitutional issues were involved, tends to indicate his view that any trademark infringement case should be tried by jury even if only damages were sought. He begins his short concurring opinion by stating:

I am disposed to accept the view, strongly pressed at the bar, that this complaint seeks an accounting for alleged trademark infringement, rather than contract damages. 369 U.S. at 480, 133 USPQ at 298.

He concludes, as did Justice Black, that:

[a] jury, under proper instructions from the court, could readily calculate the damages flowing from this alleged trademark infringement, just as courts of law often do in copyright and patent cases. 369 U.S. 480-81, 133 USPQ at 298.

The Supreme Court did not touch upon the issue of statutory damages for infringement in the foregoing case, because plaintiff had a contract to rely on. Therefore, it did not need to reach the dichotomy under the statute which apparently requires the court to determine the amount of statutory damages and attorney's fees after a jury has determined liability. We have been referred to no case which has attempted to resolve this problem. However, we think it is clear that Justice Harlan was of the opinion that a case involving merely infringement of a copyright is subject to the Seventh Amendment right of a jury trial in civil cases if damages are sought by the plaintiff.

We have been referred to two decisions in our circuit which have denied plaintiff the right to a jury trial. *Broadcast Music, Inc. and Cayman Music, Ltd.*, supra, p. 4. Neither of these cases involved punitive damages and both judges were careful to point out that the relief sought was limited to an injunction and *minimum* statutory damages. Nor was the question of attorney's fees discussed in either case. We therefore find that they are distinguishable from the one at bar, and in any event they apparently were not appealed.

On the other hand the Supreme Court in holding that a jury is required for statutory damage in a statutory Civil Rights case in *Curtis v. Loether*, 415 U.S. 189 (1974) stated at p. 196, " * * * the relief sought here—actual and punitive damages—is the traditional form of relief offered in the courts of law." Acc. *Barber v. Kimbrell's, Inc.*, 577 F.2d 216 (4th Cir. 1978), cert. denied 439 U.S. 934 (1978). Another court in *Chappell & Co., Inc. v. Pumpernickel Pub, Inc.*, 79 F.R.D. 528 (D. Conn. 1977) refused to strike a jury demand in a copyright infringement action even when plaintiff was only seeking the minimum statutory damages. Acc. *Broadcast Music, Inc. v. Moor-Law*, 203 USPQ 487 (D. Del. 1978).

In applying the criteria set out in *Ross v. Bernhard*, 396 U.S. 531 (1970), we must also deny plaintiffs' motion to strike the jury demand. The practice classically followed in questions of this sort prior to the merger of law and equity was to look for the legal rights being enforced, not the form of action being employed (at p. 533 et seq.). The relief sought here includes punitive damages and attorney's fees. The abilities and limitations of juries are no greater in this case than in patent or other more technical types of litigation where juries are often used. And, if further justification

needs to be advanced for our decision, the entire flavor of this litigation involves damages sustained in the past and likely to be sustained in the future, by either the plaintiff or the defendant, both of which are corporations engaged in business for profit.

Defendant's Motion to Compel Production of Documents

Defendant has moved the court to compel plaintiffs to provide copies of its Multistate Bar Examination for 1976 through July 1980. Plaintiffs allege only an infringement of its July 1977 and February and July 1978 examinations. We fail to grasp the relevance of defendant's document request beyond the three examinations in question, which have been produced.

[4] Defendant contends that other examinations are relevant to its defense of "fair use." This defense is governed in substance by 17 U.S.C. § 107. The factors to be considered under § 107 are specifically therein as:

- (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
- (2) the nature of the copyrighted work;
- (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- (4) the effect of the use upon the potential market for or value of the copyrighted work.

Plaintiffs have already specified the questions which they allege have been copied by defendant. Thus criterion (3) has been satisfied. The other three criteria do not in any way support defendant's request for the material in other examinations. cf. *Williams & Wilkins Co. v. United States*, 487 F.2d 1345, 1352-62, 180 USPQ 49, 54-62 (Ct. Cl. 1973), affirmed 420 U.S. 376, 184 USPQ 705 (1975).

If defendant believes its material and plaintiffs' were derived from a common source, this would be evidenced by the common source, not by plaintiffs' prior and subsequent examination questions. Considering the fragile nature of the subject matter which plaintiffs seek to protect, and in view of defendant's failure to show any compelling need for the materials covered by its motion to produce, we find and conclude that the motion should be denied. cf. *Keyes v. Lenoir Rhyne College*, 552 F.2d 579, 581 (4th Cir.), cert. denied 434 U.S. 904 (1977).

IT IS THEREFORE ORDERED, ADJUDGED AND DECREED that plaintiffs' motion to file an amended complaint is GRANTED and defendant is ordered to file an answer thereto or to adopt its previous answer within two weeks hereof.

Plaintiffs' motion to strike defendant's jury demand is DENIED.

Defendant's motion to compel production of documents is likewise DENIED.

**NATIONAL CONFERENCE OF BAR EXAMINERS, et al. v.
MULTISTATE LEGAL STUDIES, INC.**

No. 78 C 4217

*(United States District Court, N. D. Illinois, E. Div.—Decided July 15,
1981)*

212 USPQ 673

[See also 495 F.Supp. 34, 205 USPQ 720, 44 C.O.Bull. 743 (N.D. Ill., Jan 28, 1980); 211 USPQ 144, 44 C.O.Bull. 749 (N.D. Ill., July 31, 1980); 212 USPQ 486, and *supra* (N.D. Ill., Mar. 4, 1981); 692 F.2d 478, 216 USPQ 279, 46 C.O.Bull. 970 (7th Cir.—*Affirmed in part and reversed in part*, Nov. 2, 1982—*Rehearing denied*, Jan. 18, 1983); *Multistate Legal Studies, Inc. v. Ladd*, 464 U.S. 814, 104 S.Ct. 69, 78 L.Ed.2d 83, 220 USPQ 480 (U.S. Sup. Ct.—*Certiorari denied*, Oct. 3, 1983)]

Action by National Conference of Bar Examiners, and Educational Testing Service, against Multistate Legal Studies, Inc., for copyright infringement, Lanham Act violations, and unfair competition. Judgment for plaintiffs.

TRADEMARKS

1. Marks and names subject to ownership—Descriptive—Misdescriptive or not descriptive—Particular marks

“Multistate Bar Examination” and “MBE” are not generic.

2. Marks and names, subject to ownership—Descriptive—Particular marks

“Multistate Bar Examination” and “MBE” are merely descriptive names that have acquired distinctiveness and secondary meaning among relevant public, due to their widespread use.

3. Identity and similarity—Words—Similar

Use of “Preliminary Multistate Bar Examination” and “PMBE” are each likely to cause confusion in that consumers are likely to believe that they are in some way sponsored, approved or legitimately connected with Multistate Bar Examination or MBE.

4. Injunction—Trademarks

Public interest is served by injunction enjoining use of names likely to cause confusion.

5. Jurisdiction of courts—Trademarks

Federal district court has jurisdiction of civil action arising under trademark laws of United States, jurisdiction being conferred in accordance with 15 USC 1121 and 28 USC 1338(a).

6. Marks and names subject to ownership—In general

Spectrum in which names may be classified to determine if they can be protected includes arbitrary, suggestive, merely descriptive, and generic or common descriptive names; names in arbitrary and suggestive categories may be protected as soon as used; merely descriptive names may be protected by acquisition of distinctiveness or secondary meaning; generic or common descriptive names are not subject to protection.

7. Marks and names subject to ownership—Descriptive—In general

“Multistate Bar Examination” and “MBE” are merely descriptive of characteristic or quality of test, and therefore can be protected by acquisition of distinctiveness or secondary meaning.

8. Fraud and misrepresentation

Test for determining whether accused’s use of names is false designation of origin and unfair competition under Lanham Act Section 43(a) is whether use creates likelihood of confusion.

UNFAIR COMPETITION

9. In general

Likelihood of confusion test applies under Illinois common law of unfair competition, and under Uniform Deceptive Trade Practices Act, which has been enacted in Illinois.

TRADEMARKS

10. Identify and similarity—In general

Likelihood of confusion exists if relevant portion of public may believe that accused’s test is in some way sponsored, approved, or legitimately connected or associated with plaintiff’s.

TRADEMARKS

11. Identify and similarity—How determined—In general

Factors to be considered in determining likelihood of confusion are degree of similarity between marks in appearance and suggestion, similarity of products for which name is used, area and manner of concurrent use, degree of care likely to be exercised by consumers, strength of owner’s mark, actual confusion, and intent on part of alleged infringer to palm off his products as those of another.

12. Identity and similarity—How determined—Side by side comparison

In determining similarity of names, test is not side-by-side comparison at which slight differences in display or lettering can be noted, but consideration of similarities presented to consumer when faced with marks individually.

13. Identify and similarity—In general

Finding of likelihood of confusion does not require parties to be in direct competition.

14. Evidence—Of confusion

Evidence of actual confusion is not necessary to finding of likelihood of confusion.

15. Infringement—Knowledge or intent

Fraudulent intent or bad faith is not essential element for relief of trademark infringement and unfair competition actions; where accused adopted its names for purpose of obtaining some advantage from complaining party’s use of its name, that intent creates inference that confusion is likely.

TRADEMARKS

16. Injunction—Trademarks

UNFAIR COMPETITION

Injunction—Unfair competition

Plaintiff is entitled to injunction against accused whose use of names violated Lanham Act Section 43(a) and Illinois Deceptive Trade Practices Act and was unfair competition; defendant is entitled to inform public that it offers service to prepare applicants to take “Multistate Bar Examination,” and is entitled to use plaintiff’s names fairly for that purpose.

Robert M. Newbury, Patricia S. Smart, and Pattishall, McAuliffe & Hofstetter, Chicago, Ill., for plaintiffs.

Paul F. Stack, Mark D. Debofsky, and Stack & Filpi, Chicago, Ill., for defendant.

McMILLEN, District Judge. This cause having come on for trial, and the Court having heard the evidence and arguments of all parties, and having stated its decision and oral opinion on July 1, 1981, the Court hereby enters the following Findings of Fact and Conclusions of Law.

Findings of Fact

1. Plaintiff, National Conference of Bar Examiners (hereinafter referred to as NCBE), is a not-for-profit Colorado corporation, having its principal place of business in Chicago, Illinois.

2. Plaintiff, Educational Testing Service (hereinafter referred to as ETS), is a nonprofit corporation organized under the Educational Law of New York, having its principal place of business in Princeton, New Jersey.

3. Defendant, Multistate Legal Studies, Inc., is a corporation organized under the laws of Delaware, having its principal place of business in Philadelphia, Pennsylvania, and doing business in Chicago, Illinois.

4. NCBE is an organization comprised of active and past members of boards of committees of state bar examiners and state bar character committees, justices and judges of courts having jurisdiction over admissions to the bar and administrative officers dealing with the administrative aspects of admissions to the bar.

5. The purposes of NCBE include increasing the efficiency of state boards of law examiners and character committees in admitting to the bar only qualified candidates, and making studies and cooperating with other branches of the legal profession in relation to problems of legal education and admission to the bar.

6. ETS is a nationally recognized organization engaged in the development and administration of tests and testing programs.

7. The tests administered by ETS have been widely used by educators and educational administrators throughout the country.

8. The tests administered by ETS include: (1) "Scholastic Aptitude Test" or SAT, which is used as one measure to predict a high school student's ability to succeed in college; (2) "Preliminary Scholastic Aptitude Test" or PSAT which is administered to high school juniors and used to prepare them to take the "Scholastic Aptitude Test" or SAT; (3) other aptitude tests known as GMAT, GRE and NTE.

9. The "Scholastic Aptitude Test" or SAT has been administered by ETS since the 1940's and the "Preliminary Scholastic Aptitude Test" or PSAT has been administered by ETS since 1959.

10. During each of the last ten years, more than a million students have taken the "Scholastic Aptitude Test" or SAT and "Preliminary Scholastic

Aptitude Test" or PSAT. Virtually all students that take the PSAT also take the SAT.

11. NCBE and ETS are engaged in the preparation and distribution of examinations to be used by the various states in testing candidates for admission to the bar, and the examinations developed by plaintiffs are known as the MULTISTATE BAR EXAMINATION or MBE.

12. The MULTISTATE BAR EXAMINATION or MBE is an objective multiple choice test designed to provide one measure for determining competency to practice law in the various states.

13. Since the 1930's the idea of a national or standard bar examination has been pursued by various groups. In 1968 NCBE appointed a special committee to study bar examination problems and report to NCBE in 1970.

14. One of the principal problems found by the NCBE committee was the difficulty being experienced by state bar examining boards in the preparation and grading of examinations. The problem was becoming acute because of an ever increasing number of bar applicants. One means suggested to alleviate that problem was the use of an examination using multiple choice questions. Based on its studies, the committee recommended to NCBE that a multiple choice examination be prepared and that it be made available for use to all states.

15. The name MULTISTATE BAR EXAMINATION was proposed by Professor Joe Covington, the current Director of Testing of NCBE. The name originally was spelled MULTI-STATE BAR EXAMINATION, but shortly thereafter plaintiffs created a new word and changed the name to MULTISTATE BAR EXAMINATION. The name was intended to convey to state bar examiners the idea that the examination could be used nationally but was not a national bar examination. At the time the name was selected the examination was not in existence.

16. Shortly after selection of the name MULTISTATE BAR EXAMINATION, the name began to be regularly shortened to the initials MBE and has been used continuously in both forms.

17. Plaintiffs' first MULTISTATE BAR EXAMINATION or MBE was announced in 1971, was administered in February 1972 and was used by nineteen states.

18. Since February 1972, the number of jurisdictions using the MULTISTATE BAR EXAMINATION or MBE has steadily increased to the point where forty-six states, the District of Columbia and the Virgin Islands will use the MBE in 1981.

19. Since February, 1972, the MBE has been offered twice each year and is ordinarily administered as one part of a state bar examination by participating State Bar Examiners on the last Wednesday in February and the last Wednesday in July of each year. Successive and different editions of the MULTISTATE BAR EXAMINATION are prepared for each administration.

20. Since the inception of the MULTISTATE BAR EXAMINATION in 1972 through the February, 1981, administration of the MULTISTATE BAR EXAMINATION, a total of 355,557 applicants have taken the MBE. That figure represents over 75% of the bar applicants during that period and over 95% of the applicants will take the MBE in 1981.

21. Articles in both general circulation and legal publications have identified the MULTISTATE BAR EXAMINATION or MBE as plaintiffs' examination.

22. As a result of this substantial and lengthy use, prior to the use by defendant of the names PRELIMINARY MULTISTATE BAR EXAMINATION and PMBE, the names MULTISTATE BAR EXAMINATION or MBE have become known to virtually all law students, applicants for admission to the bar, bar examiners and practicing lawyers and those names are known as the names of the test administered by NCBE and ETS.

23. Prior to any use by defendant of the names PRELIMINARY MULTISTATE BAR EXAMINATION or PMBE the names MULTISTATE BAR EXAMINATION and MBE acquired a distinctiveness and secondary meaning signifying plaintiffs and their examination.

24. Defendant has failed to sustain its burden of showing the names MULTISTATE BAR EXAMINATION or MBE are generic; the names MULTISTATE BAR EXAMINATION and MBE are used only to identify plaintiffs' examination.

[1] 25. Plaintiffs' names were not generic at the time of adoption, nor have they become generic with the passage of time.

[2] 26. The names MULTISTATE BAR EXAMINATION and MBE are merely descriptive names which have acquired a distinctiveness and a secondary meaning among the relevant public, due to their widespread use.

27. Defendant has offered and conducted and now offers for profit a course to prepare candidates to take the MULTISTATE BAR EXAMINATION.

28. Candidates for admission to the bar, upon payment of a fee, are enrolled in defendant's course and are administered an examination by defendant denominated as the PRELIMINARY MULTISTATE BAR EXAMINATION, or PMBE.

29. Defendant also uses the names PRELIMINARY MULTISTATE BAR EXAMINATION or PMBE to identify its course.

30. Defendant was aware of plaintiffs' use of the names MULTISTATE BAR EXAMINATION and MBE at the time it selected the names PRELIMINARY MULTISTATE BAR EXAMINATION and PMBE and defendant was aware the names MULTISTATE BAR EXAMINATION and MBE meant plaintiffs' and their examination to applicants for admission to the bar.

31. Defendant was likewise aware that ETS produces examinations under the names “Scholastic Aptitude Test” or SAT, and “Preliminary Scholastic Aptitude Test” or PSAT, that the purpose of the PSAT was to prepare students for SAT and that applicants taking defendant’s PMBE and plaintiffs’ MBE will have previously taken ETS’s PSAT AND SAT.

32. Defendant adopted the names PRELIMINARY MULTISTATE BAR EXAMINATION and PMBE with the intent of creating an inference that defendant’s course and examination have some connection with the MULTISTATE BAR EXAMINATION or MBE.

33. For two or three months prior to each administration of its course, defendant promotes and advertises the names PRELIMINARY MULTISTATE BAR EXAMINATION and PMBE through magazine advertisements and posters at law schools throughout the country. In this advertising defendant has repeatedly referred to its advertising as an “official publication” and once claimed to include in the PRELIMINARY MULTISTATE BAR EXAMINATION 120 questions reconstructed from plaintiffs’ MULTISTATE BAR EXAMINATION. The claim of having reconstructed questions is not correct and represents a further attempt by defendant to align itself with plaintiffs’ MULTISTATE BAR EXAMINATION.

[3] 34. Defendant’s use of the names PRELIMINARY MULTISTATE BAR EXAMINATION and PMBE are each likely to cause confusion in that consumers are likely to believe that defendant’s PRELIMINARY MULTISTATE BAR EXAMINATION or PMBE is in some way sponsored, approved or legitimately connected with plaintiffs or the MULTISTATE BAR EXAMINATION or MBE.

35. The consumers for defendant’s course are relatively sophisticated but that sophistication does not prevent a likelihood of confusion.

36. Defendant’s addition of “Preliminary” to MULTISTATE BAR EXAMINATION and “P” to MBE does not prevent the likelihood of confusion.

37. The fact ETS is known to administer both the “Scholastic Aptitude Test” or SAT and the “Preliminary Scholastic Aptitude Test” or PSAT increases the likelihood of confusion.

38. Defendant’s use of “official publication” and its claim of 120 reconstructed questions also increase the likelihood of confusion.

39. The fact defendant’s use of PMBE sometimes appears in a stylized lower case form does not prevent likelihood of confusion.

40. Plaintiffs and defendant are not actual competitors, but defendant’s business is closely related to plaintiffs since defendant offers a course and examination with the purpose of preparing applicants to take plaintiffs’ examination.

41. Plaintiffs have suffered no diversion of income as a result of defendant’s marketing of its PRELIMINARY MULTISTATE BAR EXAMINATION or PMBE.

42. The harm which plaintiffs' names and trade names will suffer if defendant continues to use the names PRELIMINARY MULTISTATE BAR EXAMINATION and PMBE outweighs any harm defendant will suffer as a result of being enjoined from their use, particularly since defendant's use places plaintiffs' reputations out of their control except herein.

[4] 43. The public interest is served by an injunction enjoining defendant's use of PRELIMINARY MULTISTATE BAR EXAMINATION and PMBE since use of those names is likely to cause confusion.

Conclusions Of Law

[5] 1. This Court has jurisdiction by virtue of the fact that this is a civil action arising under the Trademark Laws of the United States. 15 U.S.C. 1051-1127, jurisdiction being conferred in accordance with 15 U.S.C. 1121 and 28 U.S.C. 1338(a) and by virtue of the fact that this is an action between citizens of different states in which the value of the matter in controversy exceeds the amount of Ten Thousand Dollars (\$10,000.00), exclusive of interest and costs, jurisdiction being conferred in accordance with 28 U.S.C. 1332.

[6] 2. The spectrum in which names such as MULTISTATE BAR EXAMINATION and MBE may be classified to determine if they can be protected include: (1) arbitrary; (2) suggestive; (3) merely descriptive; and (4) generic or common descriptive. Names in the first two categories may be protected as soon as used; merely descriptive names may be protected by acquisition of distinctiveness or secondary meaning; and generic or common descriptive names are not subject to protection. *Telemed Corp. v. Tel-Med, Inc.*, 588 F.2d 213, 200 USPQ 427 (7th Cir. 1978).

3. The names MULTISTATE BAR EXAMINATION and MBE are not commonly used to describe a kind of goods and are not generic. *The Vision Center v. Opticks, Inc. et al.*, 596 F.2d 111, 202 USPQ 333 (5th Cir. 1979); *United States Jaycees v. San Francisco Junior Chamber of Commerce*, 354 F.Supp 61, 175 USPQ 525 (N.C. Cal. 1972) affirmed 513 F.2d 1226, 185 USPQ 257 (9th Cir. 1975). *Council of Better Business Bureaus, Inc. v. Better Business Bureau of South Florida, Inc.*, 200 USPQ 282 (S.D. Fla. 1978).

[7] 4. The names MULTISTATE BAR EXAMINATION and MBE are merely descriptive of a characteristic or quality of plaintiffs' test and therefore can be protected by acquisition of a distinctiveness or secondary meaning, *Telemed Corp. v. Tel-Med Inc.*, 588 F.2d 213, 200 USPQ 427 (7th Cir. 1978); *Safeway Stores Inc. v. Safeway Properties, Inc.*, 307 F.2d 495, 134 USPQ 467 (2d Cir. 1962).

5. Due to the long and extensive use of the names MULTISTATE BAR EXAMINATION and MBE, those names have acquired a distinctiveness and secondary meaning signifying plaintiffs and their examination. Union

Carbide Corp. v. Ever-Ready Inc., 531 F.2d 366, 188 USPQ 623 (7th Cir. 1976).

[8, 9] 6. The test for determining whether defendant's use of the names PRELIMINARY MULTISTATE BAR EXAMINATION or PMBE is a false designation of origin and unfair competition under Section 43(a) of the Trademark Laws of the United States, 15 U.S.C. 1125(a) is whether that use creates a likelihood of confusion. *Hesmer Foods, Inc. v. Campbell Soup Co.*, 346 F.2d 356, 145 USPQ 580 (7th Cir. 1965).

7. The same test, likelihood of confusion, applies under the Illinois common law of unfair competition. *National Football League Properties, Inc. v. Consumer Enterprises, Inc.*, 26 Ill.App. 3d 814, 327 N.E.2d 242, 185 USPQ 550 (Ill.App. 1975).

8. The same test, likelihood of confusion, applies under the Uniform Deceptive Trade Practices Act which has been enacted in Illinois (Ill. Rev. Stat. ch. 121-1/2 §§ 311-313) *Bonner v. Westbound Records, Inc.*, 49 Ill.App. 543, N.E.2d 570 (Ill.App. 1977).

[10] 9. Likelihood of confusion exists if a relevant portion of the public may believe that defendant's PRELIMINARY MULTISTATE BAR EXAMINATION or PMBE is in some way sponsored, approved or legitimately connected or associated with plaintiffs or the MULTISTATE BAR EXAMINATION or MBE. *Dallas Cowboy Cheerleaders v. Pussycat Cinema Ltd.*, 604 F.2d 200, 203 USPQ 161 (2d Cir. 1979).

[11] 10. The factors to be considered in determining likelihood of confusion are "the degree of similarity between the marks in appearance and suggestion; the similarity of the products for which the name is used; the area and manner of concurrent use; the degree of care likely to be exercised by consumers; the strength of the complainant's mark; actual confusion; and an intent on the part of the alleged infringer to palm off his products as those of another." *Helene Curtis Industrie, Inc. v. Church & Dwight Co.*, 560 F.2d 1325, 1330, 195 USPQ 218, 220-221 (7th Cir. 1977).

[12] 11. The names MULTISTATE BAR EXAMINATION and MBE and PRELIMINARY MULTISTATE BAR EXAMINATION and PMBE are similar. In determining the similarity of names the test is not a side-by-side comparison at which slight differences in display or lettering can be noted, but a consideration of the similarities presented to the consumer when faced with the marks individually. *Union Carbide Corp. v. Ever-Ready Inc.*, 531 F.2d 366, 188 USPQ 623 (7th Cir. 1976); *Independent Nail and Packing Co. v. Stronghold Screw Products, Inc.*, 205 F.2d 921, 98 USPQ 172 (7th Cir. 1953).

[13] 12. A finding of a likelihood of confusion does not require the parties to be in direct competition. *Union Carbide Corp. v. Ever-Ready Inc.*, 531 F.2d 366, 188 USPQ 623 (7th Cir. 1976); *James Burrough Ltd. v. Sign of the Beefeater, Inc.*, 540 F.2d 266, 192 USPQ 555 (7th Cir. 1976).

13. The use of a name such as PRELIMINARY MULTISTATE BAR EXAMINATION or PMBE which suggests that defendant's service is officially affiliated with plaintiffs creates a likelihood of confusion. *Volkswagenwerk A.G. v. Hoffman*. ____ F.Supp. ____, 209 USPQ 398 (S.C. 1980).

14. Plaintiffs' names MULTISTATE BAR EXAMINATION and MBE have become strong names throughout long and extensive use. *James Burrough Ltd. v. Sign of the Beefeater, Inc.*, 540 F.2d 206, 192 USPQ 555 (7th Cir. 1976).

[14] 15. Since the test to be applied is likelihood of confusion, and since evidence of actual confusion is recognized as difficult to obtain, such evidence is not necessary to a finding of likelihood of confusion. *Tisch Hotels, Inc. v. Americana Inc.*, 350 F.2d 609, 146 USPQ 566 (7th Cir. 1965).

[15] 16. Fraudulent intent or bad faith is not an essential element for relief in trademark infringement and unfair competition actions. *Tisch Hotels, Inc. v. Americana Inn, Inc.*, 350 F.2d 609, 146 USPQ 566 (7th Cir. 1965); *President & Trustees Of Colby College v. Colby College-New Hampshire*, 508 F.2d 804, 185 USPQ 65 (1st Cir. 1975). Where, as here, defendant adopted its names for the purpose of obtaining some advantage from plaintiffs' use of their names, that intent creates an inference that confusion is likely. *Tisch Hotels, Inc. v. Americana Inn, Inc.* 350 F.2d 609, 146 USPQ 566 (7th Cir. 1965); *National Association of Blue Shield Plans v. United Bankers Life Ins. Co.*, 362 F.2d 374, 150 USPQ 80 (5th Cir. 1966).

[16] 17. Because defendant's use of the names PRELIMINARY MULTISTATE BAR EXAMINATION and PMBE constitutes a violation of Section 43(a) of the Trademark Laws of the United States (15 U.S.C 1125(a)) unfair competition and a violation of the Deceptive Trade Practices Act (Ill. Rev. Stat. ch. 121-1/2 §§ 311-313), plaintiffs are entitled to effective injunctive relief. *Independent Nail and Packing Co. v. Stronghold Screw Products, Inc.*, 215 F.2d 434, 102 USPQ 146 (7th Cir. 1954).

18. Defendant is entitled to inform the public that it offers a service to prepare applicants to take the MULTISTATE BAR EXAMINATION and is entitled to use plaintiffs' names fairly for that purpose.

19. Plaintiffs are entitled to entry of a Final Judgement providing that:

(a) Defendant, its officers, agents, servants, attorneys and all others holding by through or under defendant are permanently enjoined and restrained from using the name PRELIMINARY MULTISTATE BAR EXAMINATION or PMBE or making any other false representations or descriptions implying that defendant, its examinations or its course has some official connection with plaintiffs or the MULTISTATE BAR EXAMINATION or MBE.

(b) Defendant is not prohibited from fairly informing the public that it offers a service to prepare applicants to take the MULTISTATE BAR EXAMINATION or MBE.

(c) Plaintiffs shall recover from defendant their taxable costs incurred in this action.

NATIONAL SUBSCRIPTION TELEVISION, and Oak Broadcasting Systems, Inc., Plaintiffs-Appellants, v. **S & H TV**, JKL Electronics, Jon Karl Larson, R & R Associates, Richard L. Rathburn, Richard Rath, JK Electronics, Jacqueline M. Kennedy, Kenneth J. Kennedy, SCR Electronics, Stephen Robbins, J & R Electronics, V. DeFrancisco, Video Movie House, Rich Minard, and Maury Goldstein, Defendants-Appellees

No. 80-5655

*(United States Court of Appeals, Ninth Circuit—Argued and Submitted
January 9, 1981—Decided May 7, 1981)*

644 F.2d 820

Owners and operators of subscription television service sued makers and distributors of decoding devices, not authorized by the service, which enabled television sets to unscramble the STV signals without use of a decoder leased from the service. The United States District Court for the Central District of California, Lawrence T. Lydick, J., dismissed and owners and operators appealed. The Court of Appeals, Trask, Circuit Judge, held that: (1) STV was not a "communication * * * broadcast * * * for the use of the general public" and was thus not exempt from the Federal Communications Act provision prohibiting unauthorized interception and divulging, or aid thereto of radio communications, and (2) the distribution of unauthorized decoding devices violated the Act.

Reversed and remanded.

1. Telecommunications

Transmissions of subscription television service, which involved sending coded visual signal received by every television set in area, which could be decoded only with special device leased to paying subscribers by subscription television service, were not "communication * * * broadcast * * * for the use of the general public" and were thus not exempt from Federal Communications Act provision prohibiting unauthorized interception and divulging, or aid thereto, of radio communications. Communications Act of 1934, § 605, 47 U.S.C.A. § 605.

See publication Words and Phrases for other judicial constructions and definitions.

2. Telecommunications

Distribution of decoding devices, not authorized by subscription television service, which enabled television set to unscramble STV visual signal and receive STV audio signal without

leasing decoder from operators of STV, violated Federal Communications Act provision prohibiting unauthorized interception and divulging, or aid thereto, of radio communications. Communications Act of 1934, § 605, 47 U.S.C.A. § 605.

Patrick Lynch, O'Melveny & Myers, Los Angeles, Cal., argued for plaintiffs-appellants; William Wewer, Wewer & Mahn, P. C., Washington, D.C., on brief.

Kenneth J. Golden, Westminster, Cal., for defendants-appellees.

Appeal from the United States District Court for the Central District of California.

Before TRASK and SCHROEDER, Circuit Judges, and CARROLL,* District Judge.

TRASK, *Circuit Judge*. Appellants, owners and operators of a subscription television service, seek review of the district court's dismissal of their complaint brought under section 605 of the Federal Communications Act, 47 U.S.C. § 605. The district court dismissed the complaint because it found that appellants' transmissions are not protected by the statute. We reverse.

I

Appellant National Subscription Television (NTS) owns a subscription television (STV) service marketed under the name of "ON-TV." Appellant Oak Broadcasting Systems, Inc. is licensed to broadcast television signals in the Los Angeles area over UHF Channel 52. During certain hours of every day, Oak Broadcasting leases its transmission facilities to NST for use in transmitting ON-TV programs. NST transmits an encoded visual signal which is received in scrambled form by every television set in the area. Reception adequate for viewing, however, is obtained only by sets equipped with special decoding devices which are leased by NST to paying subscribers. The audio signal is transmitted on a special sub-frequency carrier and is received only by individuals who have special NST equipment. The decoders enable NST to monitor viewing of its programs and to generate monthly billings for subscribers.

Appellees are makers and distributors of decoding devices, not authorized by NST, which enable a television set to unscramble the NST visual signal and receive the NST audio signal. Use of one of appellees' devices enables a viewer to watch NST programming without paying any subscription fees.

NST and Oak Broadcasting filed a claim against appellees for injunctive and damage relief pursuant to section 605 of the Federal Communications Act (the Act), 47 U.S.C. § 605, which generally prohibits the unauthorized

*Honorable Earl H. Carroll, United States District Judge for the District of Arizona, sitting by designation.

interception and divulging, or aid thereto, of radio communications.¹ They also filed various state claims. The district court dismissed the section 605 claim under Fed.R.Civ.P. 12(b)(6). In its view, NST's signals were unprotected by 605 by virtue of the *proviso* to that section: "This section [605] shall not apply to the receiving, divulging, publishing or utilizing the contents of any radio communication which is broadcast or transmitted by amateurs or others for the use of the general public, or which relates to ships in distress."

II

In support of their motion to dismiss, appellees alleged that NST's programming is of interest to a mass audience, and that its signal delivery system is capable of reaching such an audience. These allegations were admitted by appellants in their opposition to appellees' motion. Appellees contend that the mass audience appeal of NST's programming and the ability of its signal delivery system to reach mass audiences mean that appellants broadcast within the meaning of section 153(o), which defines "broadcasting" as "the dissemination of radio communications intended to be received by the public." 47 U.S.C. § 153(o). They further argue that all section 153(o) broadcasting is within the reach of the *proviso*, and, therefore, is unprotected by the general prohibitions against signal interception contained in section 605. The district court based its dismissal of appellants' complaint on this argument.

Conversely, appellants contend that NST's efforts to restrict reception of its signal to paying subscribers negate a finding of section 153(o) intent. They argue that NST does not broadcast within the meaning of section 153(o) and the *proviso*, and that its signal is thus protected by section 605.

"[A] complaint should not be dismissed for failure to state a claim unless it appears beyond doubt that the plaintiff can prove no set of facts in support of his claim which would entitle him to relief." *Conley v. Gibson*, 355 U.S. 41, 45-46, 78 S.Ct. 99, 101-102, 2 L.Ed.2d 80 (1957) (footnote omitted); *accord Experimental Engineering, Inc. v. United Technologies Corp.*, 614 F.2d 1244, 1246 (9th Cir. 1980); 2A Moore's Fed.Prac. para. 12.08, at 2271, 2275 (2d ed. 1980). The issue before us,

¹Section 605 reads in relevant part: "No person not being authorized by the sender shall intercept any radio communication and divulge or publish the existence, contents, substance, purport, effect, or meaning of such intercepted communication to any person." 47 U.S.C. § 605. "Radio communication" as used in the Act has been construed to include television transmissions. *See, e.g., Allen B. DuMont Laboratories v. Carroll*, 184 F.2d 153, 155 (3d Cir. 1950), *cert. denied*, 340 U.S. 929, 71 S.Ct. 490, 95 L.Ed. 670 (1951). The courts have long recognized the existence of a private right of action under section 605. *E.g., Reitmeister v. Reitmeister*, 162 F.2d 691, 694 (2d Cir. 1947) *see Chartwell Communications Group v. Westbrook*, 637 F.2d 459, 466 & n.5 (6th Cir. 1980); *Orth-O-Vision, Inc. v. Home Box Office (HBO)*, 474 F.Supp. 672, 681 & n.8 (S.D.N.Y. 1979).

then, is whether appellants' signals are "broadcast . . . for the use of the general public" within the meaning of the *proviso* to section 605. If so, then as a matter of law appellants cannot avail themselves of the protections contained in section 605, and dismissal of their complaint under Rule 12 was proper.

III

The legislative history of section 605 does not speak to the question whether the section protects transmission such as NST's, and caselaw on the applicability of the section to radio and television subscription services is sparse. The first reported decision on the issue is *KMLA Broadcasting Corp. v. 20th Century Cigarette Vendors Corp.*, 264 F.Supp. 35 (C.D.Cal.1967). As part of a promotional campaign, 20th Century had given to some of its clients equipment which enabled them to receive KMLA's background music service without paying for it. KMLA sued for relief under section 605. The court held that KMLA's service was not section 153(o) broadcasting and did not fall within the *proviso*, but was instead private, point-to-point communication protected by the general prohibitions of section 605. 264 F.Supp. at 42. The court based this holding on KMLA's lack of intent to transmit its subscription signal to the general public, *id.* at 40-41, as evidenced by the existence of the special receiving devices needed to receive KMLA's signal, *id.* at 42.²

KMLA was cited with approval by *Home Box Office (HBO), Inc. v. Pay TV of Greater New York*, 467 F.Supp. 525 (E.D.N.Y.1979), which held that STV signals transmitted by a "multi-point distribution service" (MDS)³ are protected against interception by section 605. *Id.* at 528. This case is of limited authority, however, because the defendant there did not argue that the *proviso* removed the signal from the protection of section 605. *See id.*

In *Orth-O-Vision, Inc. v. Home Box Office (HBO)*, 474 F.Supp. 672 (S.D.N.Y.1979), HBO sought to enjoin interception of its MDS signal by Orth-O-Vision, an unauthorized receiver-converter. HBO filed suit pursuant to numerous statutes, including section 605, and immediately moved for summary judgment on its 605 claim. The court discounted the significance of the need for special equipment to receive the HBO signal, and focused on the nature of the programming and the capabilities of the

²The court also relied on its determination that the service was a "special interest" transmission excluded by the FCC from section 153(o), because only stores, restaurants, offices and the like would be interested in the service, and on its observation that a different regulatory scheme existed for subscription services than for additional radio broadcasting.

³This kind of transmission system transmits the television signal on a microwave frequency to various fixed receivers, which then convert the signal to a standard frequency and feed it by cable to paying subscribers.

signal delivery system. 474 F.Supp. at 682. The court ultimately denied HBO's motion, concluding that the evidence did not indisputably show either that HBO programming was not of interest to a mass audience,⁴ or that an MDS system was incapable of delivering the signal to such an audience. *Id.*

The *Orth-O-Vision* opinion relies for its result on two prior cases, *Functional Music, Inc. v. FCC*, 274 F.2d 543 (D.C. Cir. 1958), *cert. denied*. 361 U.S. 813, 80 S.Ct. 50, 4 L.Ed.2d 81 (1959). and *In the Matter of Amendment of Part 73 of the Commission's Rules and Regulations (Radio Broadcast Services) to Provide for Subscription Television Service*, 3 F.C.C.2d 1 (1966) [hereinafter cited as *In re Amendment of Part 73*]. In *Functional Music, Inc. v. FCC*, *supra*, a radio station sought review of an FCC determination that the station's subscription music service was not 153(o) broadcasting, and thus was not properly disseminated by a general broadcasting licensee. Subscribers received the same musical programming as that transmitted by the station to the public-at-large, but were also given special equipment which enabled them to delete all advertising and promotional material from the transmissions. The court reversed the FCC's determination:

[P]rogram specialization and/or control is not necessarily determinative of [section 153(o)] intent Broadcasting remains broadcasting even though a segment of those capable of receiving the broadcast signal are equipped to delete a portion of that signal. [F]unctional programming can be, and is, of interest to the *general* radio audience.

274 F.2d at 548 (emphasis in original).

In *In re Amendment of Part 73*, *supra*, the FCC held that STV transmitting constitutes broadcasting within the meaning of section 153(o), and, therefore, is properly transmitted by an FCC broadcasting licensee. 3 F.C.C.2d at 8-10. The commission rejected the argument that restriction of signal reception to those willing to pay the transmitter is not 153(o) broadcasting:

The evident intention of any station transmitting subscription programs would be to make them available to all members of the public within range of the station. . . . [T]he primary touchstone of a broadcast service is the intent of the broadcaster to provide radio or television service without discrimination to as many members of the general public as can be interested in the particular program as distinguished from a point-to-point message service to specified individuals. . . . "[I]ntent" may be inferred from the circumstances under which material is transmitted, and the number of actual or potential viewers is not especially important.

Id. at 9.

⁴On the contrary, the court concluded that the evidence showed HBO programming to have been designed to appeal to just such an audience. 474 F.Supp. at 682.

The most recent decision in this area is *Chartwell Communications Group v. Westbrook*, 637 F.2d 459⁴ (6th Cir. 1980) and *United States v. Westbrook*, 502 F.Supp. 588 (E.D. Mich. 1980). On facts identical to those in the case before us, the court held that STV is not broadcast for the use of the general public within the language of the *proviso* and, therefore, is protected by section 605. 637 F.2d at 465-67, 502 F.Supp. at 590-92.

IV

[1] Appellees argue that programming appeal and signal delivery capabilities, which control the determination whether a transmission is 153(o) broadcasting, see *Functional Music, Inc. v. FCC*, *supra*; *In re Amendment of Part 73*, *supra*, are also the factors that determine whether a transmission falls within the *proviso*. See *Orth-O-Vision, Inc. v. HBO*, *supra*, 474 F.Supp. at 682. It is true that the analytical premise of some of the cases dealing with sections 153(o) and 605 is that transmissions that constitute broadcasting within the meaning of 153(o) fall within the *proviso* to 605, and, therefore, are unprotected, whereas transmissions that do not amount to 153(o) broadcasting are out of the *proviso*'s reach, and thus are protected by 605. Compare *Orth-O-Vision, Inc. v. HBO*, *supra*, 474 F.Supp. at 680 with *KMLA Broadcasting Corp. v. 20th Century Cigarette Vendors Corp.*, *supra*, 264 F.Supp. at 41-42 and *HBO, Inc. v. Pay TV of Greater New York*, *supra*, 467 F.Supp. at 528. But see *Chartwell Communications Group v. Westbrook*, *supra*, 637 F.2d at 465-67. Appellants do not dispute the validity of this premise, but urge instead that we overrule or limit the FCC's determination in *In re Amendment of Part 73*, *supra*, that STV transmissions constitute 153(o) broadcasting. Cf. *Functional Music, Inc. v. FCC*, *supra* (overruling FCC determination that subscription radio service did not constitute broadcasting).

We find it unnecessary to review the FCC determination because we conclude that section 153(o) does not control the reach of the *proviso*. See *Chartwell Communications Group v. Westbrook*, *supra*, 637 F.2d at 464-65. The *proviso* does not remove all broadcasting from the protection of section 605, but only communications broadcast "for the use of the general public." See 47 U.S.C. § 605. We think that an individual might "broadcast"—i.e., transmit a signal over the airways with the intent that it be received by the public within the meaning of section 153(o)—without such broadcasting being for the use of the public within the meaning of the *proviso*. For example, the operator of an STV service offers his product to any member of the public willing to pay the subscription price. Like any entrepreneur, the STV operator hopes that his product becomes popular and is subscribed to by most, if not all, of the public. Thus, the programming of STV is calculated to attract the largest possible audience, and the method of transmitting STV is premised on being able to accommodate

widespread demand. It is in this sense that STV is "intended to be received by the public"—i.e., "broadcast"—under section 153(o). See generally *In re Amendment of Part 73*, *supra*. See also *Functional Music, Inc. v. FCC*, *supra*.

Nevertheless, it does not follow that STV is "broadcast . . . for the use of the general public" within the meaning of the *proviso*. Indeed, the manner in which STV operators such as NST attempt to control their signals suggests the opposite. The visual signal is useless and the audio signal not receivable without special equipment supplied by the operator. Moreover, without the capability of monitoring program viewing through use of such equipment, it is doubtful that any STV operation can survive as a viable commercial enterprise. We conclude, therefore, that STV operators such as NST broadcast their programming, not for the use of anyone who is somehow able to receive their signals, but only for the use of paying subscribers. *Chartwell Communications Group v. Westbrook*, *supra*, 637 F.2d at 465–67 (relying in part on FCC Staff Report on Policies for Regulation of Direct Broadcast Satellites 124 n.17 (Sept. 1980) [hereinafter cited as FCC Staff Report]⁵); cf. *KMLA Broadcasting Corp. v. 20th Century Cigarette Vendors Corp.*, *supra*, 264 F.Supp. at 42 (use of special receiving equipment evidences radio broadcaster's intent to broadcast for use of subscribers only). We reject the reasoning of *Ortho-O-Vision, Inc. v. HBO*, *supra*, to the extent that it is inconsistent with this holding.

⁵Note 17 reads in relevant part:

In reaching its conclusion [in *In re Amendment of Part 73*, *supra*,] that STV is broadcasting, the Commission stated that it regarded a [broadcasting] licensee's "intent to provide a radio or television service without discrimination to as many members of the general public as can be interested in the programs" as of primary importance to its determination. However, this conclusion appears to ignore the fact that, although a licensee's overall service (including adaptor, decoder, or converter) may be offered to the public generally, nevertheless, his actual radio transmissions, by themselves, may not be intended for general public reception. Moreover, a determination as to the latter issue would appear to be relevant to the applicability of Section 605 of the Act, and the Commission has not directly addressed the status of STV under this statutory provision. . . . Based upon its recognition of their "point-to-point" service characteristics, the Commission has concluded that FM radio and MDS subscription programming services are within the purview of Section 605. It also seems clear that there is no distinguishing factor that would justify the exclusion of STV programming, but not the subscription programming transmitted by other licensees, from the protection afforded by Section 605. For example, it is apparent that the conduct of FM subscription radio transmissions is not more "private" than STV transmissions and is not for that reason more entitled to Section 605 protection. Although many types of subscription radio services are highly specialized, they are not inherently confidential in nature. Indeed, as one court has noted, Section 605 was intended to protect persons from having their communications received by those not entitled to receive them, and STV operators can only operate their businesses if they can restrict viewers to paying subscribers.

(Emphasis in original and citations omitted.)

Appellees contend that distinguishing between signals "intended to be received by the public" and signals "broadcast . . . for the use of the general public" misconstrues the language of the *proviso*. They argue that "broadcast" as used in the *proviso* stands alone, the phrase "for the use of the general public" modifying only "transmitted," and not "broadcast." As support for this conclusion, appellees substitute for "broadcast" in the *proviso* the statutory definition of broadcasting contained in section 153(o). The *proviso* then becomes an exemption from section 605 of communications "intended to be received by the public . . . for the use of the general public." Appellees argue that such language is redundant, and violates the principle of statutory construction that holds that a statute should be construed so as to avoid redundancy.

Appellees cite no authority in support of their asserted construction of the *proviso*, and, in fact, the cases have assumed the opposite construction. See, e.g., *Chartwell Communications Group v. Westbrook*, *supra*, 637 F.2d at 466-67; *Ortho-O-Vision, Inc. v. HBO*, *supra*, 474 F.Supp. at 680-81; *HBO, Inc. v. Pay TV of Greater New York*, *supra*, 467 F.Supp. at 528. See also *United States v. Fuller*, 202 F.Supp. 356, 358 (N.D.Cal.1962). We do not find that redundancy results from construing the phrases to modify the word "broadcast." Although substitution of the section 153(o) definition in place of "broadcasting" in the *proviso* yields language that is somewhat inelegant, such language nevertheless conveys the "important distinction between making a service available to the general public and intending a program for the use of the general public," *Chartwell Communication Group v. Westbrook*, *supra*, 637 F.2d at 465.

We note that protection under section 605 of STV transmissions such as NST's promotes express FCC policies.⁶ The FCC has determined that STV constitutes an alternative media communications system which promotes the public interest. FCC Staff Report, *supra*, at 123 n.15. See generally *Connecticut Committee Against Pay TV v. FCC*, 301 F.2d 835, 836 (D.C.Cir.), *cert. denied*, 371 U.S. 816, 83 S.Ct. 28, 9 L.Ed.2d 57 (1962).

⁶Appellees cite language from *Cable Vision, Inc. v. KUTV, Inc.*, 335 F.2d 348 (9th Cir. 1964), *cert. denied*, 379 U.S. 989, 85 S.Ct. 700, 13 L.Ed.2d 609 (1965), for the proposition that policy considerations should not determine whether NST's transmissions are protected by sections 605:

[T]he courts are not charged by our constitutional system as arbiters of good policy. That function is reserved to Congress. In short, while it makes an appealing picture to see courts and administrative agencies hand in hand redeeming national communications policy, the fact remains that it is not the proper function of courts to do so.

Id. at 353 (footnote omitted).

It is true that in our system of government the policy-making role is committed to Congress and not to the courts. Nevertheless, judges are not unmindful of the effects of their decisions and, although policy considerations are not determinative of the proper resolution of a legal issue, neither are they irrelevant to such resolution. Certainly we are not required to thwart legislative or regulatory policies already formulated by other branches of the government when, as here, a decision supporting such policies is consistent with the statutory scheme.

Appellees' activities threaten the economic viability of the STV industry, and thus run counter to FCC policy and the public interest. Specifically, the inability of STV operations to control public viewing of their signals reduces their income, which in turn prevents them from obtaining attractive programs to transmit on their systems and discourages the investment of capital in STV enterprises.

Appellees' actions also run counter to an FCC consumer protection policy. FCC regulations require that STV operations lease (rather than sell) decoders to subscribers. Over-the-Air Subscription Television Operations—Licensing Policies, 47 C.F.R. § 73.642(f)(3) (Oct. 1, 1979).⁷ Appellees' sales of unauthorized decoders implicate this policy no less than would sales of authorized decoders by NST itself.

Appellees, on the other hand, advance several justifications for leaving STV signals unprotected. First, they argue that the airwaves belong to the public, and that an entity such as NST should not be granted monopoly control of a particular frequency without the express approval of Congress. As an FCC licensee, however, Oak Broadcasting already has the right to prevent others from broadcasting on its frequency. Furthermore, granting section 605 protection to NST's signals does not grant NST a monopoly, because it does not prevent other STV or pay-television operations from entering and competing in the Los Angeles pay-television market. Finally, although the public owns the airwaves, Congress and the FCC are charged with regulating them in the public interest. That interest would seemingly not be served by the demise of a product for which there is clearly considerable consumer demand.

Second, appellees speculate that Congress intended that STV operations protect themselves by technology. The appellees offer no authority in support of this reading of congressional intent, and we are not persuaded by it. On the contrary, we note that even the most technologically sophisticated decoder can be copied by processes of reverse engineering.

Finally, appellees argue that their actions provide needed competition to NST in the manufacture of decoders. This argument proves too much. Appellees' competitive success would result not merely in subscribers' ac-

⁷The rationale is that subscribers are thereby protected from the danger of investing a large sum of money in a device which is likely to become technologically obsolete in a relatively short period of time. Another justification for the policy is that leasing gives consumers added flexibility and encourages competition among STV companies. Under typical leasing arrangements, a subscriber may cancel his STV service at any time at no cost to himself. When decoders have been purchased, however, it is thought that the large sunk cost that they represent might deter such action. Because decoders are not interchangeable between systems, the consumer who has purchased a decoder might consider himself "locked-in" to one STV system because of the purchase. (This, however, is contrary to contemporary economic theory, which maintains that current consumption choices are unaffected by sunk costs.) See generally Kelman, *Consumption Theory, Production Theory, and Ideology in the Coase Theorem*, 52 S.Cal.L.Rev. 669, 691-93 (1979).

quiring decoders from them instead of NST, but would prevent NST from operating as an economically viable enterprise and eventually force it out of business. This would eliminate the reason for acquiring a decoder in the first place.

We hold that the broadcasting of NST in the case before us does not constitute "broadcasting . . . for the use of the general public" within the meaning of the *proviso* to section 605 of the Act. Accordingly, appellants' signals are protected by section 605, and they have pled a complaint upon which relief may be granted. Thus, the district court's dismissal of appellant's complaint under Rule 12 was error.

V

[2] Appellees contend that even if we are to find that NST's signals are protected by section 605, we must nevertheless affirm the district court's dismissal of appellants' complaint because appellees' actions do not constitute a violation of the statute. Appellees correctly state that to be held liable for a violation of section 605, a defendant must be shown to have (1) intercepted or aided the interception of, and (2) divulged or published, or aided the divulging or publishing of, a communication transmitted by the plaintiff. *See, e.g., United States v. Butenko*, 494 F.2d 593, 599-600 (3rd Cir.) (en banc), *cert. denied*, 419 U.S. 881, 95 S.Ct. 147, 42 L.Ed.2d 121 (1974); *Reston v. FCC*, 492 F.Supp. 697, 704 n.4 (D.D.C.1980) (quoting *Bufalino v. Michigan Bell Telephone Co.*, 404 F.2d 1023, 1027 (6th Cir. 1968), *cert. denied*, 394 U.S. 987, 89 S.Ct. 1468, 22 L.Ed.2d 763 (1969)); *United States v. Fuller*, *supra*, 202 F.Supp. at 358. Appellees argue that they neither intercepted nor aided interception of a signal, because the signal is already received by all television sets in the Los Angeles area, albeit in scrambled form. They also argue that they neither divulged nor published the NST signals, nor aided anyone in doing so.

This argument has no merit. Appellees' activities clearly "are assisting third parties in receiving communications to which they are not entitled." *See Chartwell Communications Group v. Westbrook*, *supra*, 637 F.2d at 466. Even if, technically speaking, appellees did not aid interception of NST's visual signal, it cannot be denied that their actions aided interception of the audio signal. It is likewise clear that there was divulgement or publication. The act of viewing an NST program on a television set equipped with an unauthorized decoder amounts to disclosure of the "existence, contents, substance, purport, effect, or meaning" of NST's signals to nonsubscribers. *See* 47 U.S.C. § 605. Appellees do not allege that the persons to whom decoders were sold do not use them.

Therefore, the district court's dismissal of appellant's complaint is REVERSED, and the case REMANDED for further proceedings consistent with this opinion.

NATION'S CHOICE VITAMIN CO., INC., Plaintiff, v. GENERAL MILLS, INC. and American Greetings Corporation, Defendants

No. 81 Civ. 4969 (KTD)

(United States District Court, S. D. New York—November 19, 1981)

526 F.Supp. 1014. 216 USPQ 1017

Holder of license to use certain characters and motif in connection with chewable vitamins brought infringement action against holder of license to use those characters and motif in connection with a breakfast cereal. On plaintiff's motion for preliminary injunction and defendant's motion to dismiss, the District Court, Kevin Thomas Duffy, J., held that: (1) plaintiff did not show any irreparable harm; (2) there was no copyright infringement; (3) there was no trademark infringement; (4) there was no price discrimination even though the licensor had charged different amounts for the two licenses; and (5) court would not exercise pendent jurisdiction over state law claims.

Order accordingly.

1. Injunction

In order to satisfy the test for preliminary injunction, some degree of irreparable harm must be shown.

2. Copyrights and Intellectual Property

Trade Regulation

Holder of license to use particular characters and motif in connection with chewable vitamin which knew at the time it obtained the license that other products would be using the same name, characters, and motif, thereby increasing the likelihood of confusion between products, did not show likelihood of irreparable harm from the fact that another licensee was marketing a breakfast cereal with the same name and motif and with the vitamin statistics of the cereal shown on the package.

3. Federal Civil Procedure

Motion to dismiss can only succeed if no facts alleged in the complaint are sufficient to warrant relief. Fed.Rules Civ.Proc. Rule 12(b)(6), 28 U.S.C.A.

4. Copyrights and Intellectual Property

Recordation of exclusive copyright transfer is a jurisdictional prerequisite to maintenance of a copyright infringement action. 17 U.S.C.A. § 205(d).

5. Copyrights and Intellectual Property

Use by cereal manufacturer of Strawberry Shortcake characters and motif on the cereal and display of the cereal's vitamin contents on the package did not infringe any copyright of another company which has been licensed to use the same characters and motif in connection with the sale of chewable vitamins.

6. Trade Regulation

Where both breakfast cereal manufacturer and vitamin manufacturer had licenses from the same company for use of particular characters in connection with their products and where the products were markedly different, there could be no confusion to the public and cereal manufacturer's use of its license did not infringe any trademarks of the company

holding the license to use the characters in connection with the vitamins. Lanham Trade-Mark Act, § 32(1)(a), 15 U.S.C.A. § 1114(1)(a).

7. Trade Regulation

Fact that a lesser amount was charged for grant of exclusive license to use certain characters in connection with a breakfast cereal than was charged in connection with license to use those characters in connection with chewable vitamins did not show price discrimination as the two products were different and the two manufacturers were not in direct competition. Robinson-Patman Price Discrimination Act, § 2(a), 15 U.S.C.A. § 13(a).

8. Trade Regulation

The essence of the Robinson-Patman Act, is that a seller must treat competing purchasers equally. Robinson-Patman Price Discrimination Act, § 2(a), 15 U.S.C.A. § 13(a).

9. Federal Courts

Federal court, having dismissed federal trademark, price-discrimination, and copyright claims, would not exercise pendent jurisdiction over state claims.

Kornstein, Meister & Veisz, New York City, for plaintiff; Daniel J. Kornstein, New York City, of counsel.

Cowan, Liebowitz & Latman, P. C., New York City, for defendants; Arthur J. Greenbaum, Peter R. Porcino, New York City, of counsel.

MEMORANDUM & ORDER

KEVIN THOMAS DUFFY, *District Judge*. Plaintiff Nation's Choice Vitamin Co, Inc. ["Nation's Choice"], a newly formed vitamin manufacturing company, acquired by a licensing agreement with defendant American Greetings Corporation ["American Greetings"] an exclusive license to reproduce the Strawberry Shortcake characters in promotion of their vitamin product. Defendant General Mills, Inc. ["General Mills"] also obtained from American Greetings an exclusive license to depict the Strawberry Shortcake characters on a cereal by the same name. Plaintiff alleges that the marketing of this new cereal infringes on plaintiff's copyright and trademark rights transferred by the licensing contract. Additionally, common law claims of unfair competition, tortious interference with contract, material misrepresentations and breach of contract are asserted. Plaintiff moves for partial summary judgment on the issue of liability, a preliminary injunction enjoining defendant General Mills from continued production of the cereal in question, court authorization for the seizure of all allegedly infringing products and a declaratory judgment extending its license agreement with American Greetings beyond its August 31, 1981 expiration date.¹ Defendants cross

¹Nation's Choice originally brought this case against General Mills alone. At a hearing before me on August 21, 1981, it became evident that American Greetings should also be included in this action. An amended complaint was filed on that day.

move to dismiss plaintiff's complaint pursuant to Fed.R.Civ.P. 12(b)(6) for failure to state a claim upon which relief can be granted.

BACKGROUND

In 1979, American Greetings developed the Strawberry Shortcake characters. These characters, which were formally introduced in the Spring of 1980, have generated substantial profits. American Greetings' own merchandise, along with the products of at least 60 companies who have obtained licenses to manufacture their own goods bearing Strawberry Shortcake character art, have made the Strawberry Shortcake campaign an overwhelming success story. American Greetings Corporation, *Strawberry Shortcake: The First \$100 Million* (1980); (Affidavit of Jack S. Chojnacki, ¶6). Plaintiff chose to package their vitamins using the Strawberry Shortcake art to capitalize on the recorded success of the characters and to effectively compete with other vitamin manufacturers. (Exhibit B, Defendants' Notice of Cross-Motion, Memorandum of Jay Springer dated March 3, 1980). After negotiations between plaintiff and American Greetings, a contract was entered into effective June 1, 1980 which provided in pertinent part:

1. LICENSED PRODUCTS

Licensed Products shall consist of the following item(s):

Vitamin and mineral supplement products for human consumption

2. COPYRIGHT LICENSE

American grants to Licensee a license to:

(a) reproduce Character Properties in copies on Licensed Products, and on advertising, promotional and packaging materials for Licensed Products only;

(b) prepare derivative works based on Character Properties and reproduce embodiments of same as, or make copies of the same on, Licensed and on advertising, promotional and packaging materials for Licensed Products only; and

3. TRADEMARK LICENSE

American grants to Licensee a license under said Trademark Rights, to identify with the trademark(s) listed in Exhibit A attached hereto, Licensed Products respecting which Licensee has exercised its Copyright license.

* * * * *

5. EXCLUSIVITY

(a) The licenses granted under Paragraphs 2 and 3 shall be exclusive.

* * * * *

8. TERM OF AGREEMENT

(a) Unless canceled sooner under other of its provisions, this Agreement shall terminate with the close of business on August 31, 1981.

(emphasis added) (Exhibit A, Plaintiff's Amended Complaint, License Agreement).

Defendant General Mills, cognizant of the remarkable success of Strawberry Shortcake, negotiated a similar contract with American Greetings for an exclusive license to reproduce the characters on a "breakfast cereal." (Exhibit 1, Defendants' Notice of Cross-Motion,

License Agreement). This agreement became effective on March 1, 1981. General Mills first distributed the Strawberry Shortcake cereal in April, 1981 to a limited geographical market.

Plaintiff's infringement complaint relies solely on the upper right hand corner of the front of the Strawberry Shortcake cereal box on which is printed:

PROVIDES 25% of daily nutritional needs for 7 essential vitamins and iron as established by U.S. Government.

Plaintiff alleges that this prominent display exploits the "vitamin and mineral supplement" context of Strawberry Shortcake cereal thereby infringing plaintiff's exclusive license, and warranting the relief requested.

I. *Preliminary Injunction*

[1, 2] Issuance of a preliminary injunction in the Second Circuit requires

* * * *

showing of (a) irreparable harm and (b) either (1) likelihood of success on the merits or (2) sufficiently serious questions going to the merits to make them a fair ground for litigation and a balance of hardships tipping decidedly toward the party requesting the preliminary relief.

Jackson Dairy, Inc. v. H. P. Hood & Sons, Inc., 596 F.2d 70, 72 (2d Cir. 1979). In order for plaintiff to satisfy this test, some degree of irreparable harm must be shown. Irreparable harm has been satisfied in the past by a presentation of a *prima facie* case in copyright infringement cases, *Wainwright Securities, Inc. v. Wall Street Transcript Corp.*, 558 F.2d 91, 94 (2d Cir. 1977), *cert. denied*, 434 U.S. 1014, 98 S.Ct. 730, 54 L.Ed.2d 759 (1978); or by a "high probability of confusion" in a trademark infringement case, *Playboy Enterprises, Inc. v. Chuckleberry Publishing, Inc.*, 486 F.Supp. 414, 429 (S.D.N.Y.1980). Otherwise a plaintiff must show at least the possibility of irreparable injury, *Caulfield v. Board of Education of the City of New York*, 583 F.2d 605, 610 (2d Cir. 1978). Using any of these standards, the plaintiff has failed to meet its burden. No evidence suggests that plaintiff's license is infringed upon by the sale of Strawberry Shortcake cereal. Nation's Choice knew at the time it obtained the Strawberry Shortcake license that other products would be using the same name therefore increasing the likelihood of confusion between products. In fact, the popularity of the Strawberry Shortcake characters is precisely what plaintiff plans to capitalize on to sell its own product. The facts clearly show that defendant General Mills is marketing a cereal while Nation's Choice is marketing a chewable vitamin. The pronouncement of the cereal's vitamin statistics does not convert the cereal into a competitor of

Nation's Choice vitamins. Furthermore, plaintiff has not demonstrated, beyond general allegations of confusion and deception, that its product line was, is or will be in any way jeopardized by General Mills' continued sales of cereal. The absence of any irreparable injury mandates denial of plaintiff's motion for preliminary injunction.

II. *Motion to Dismiss*

[3] Defendants' cross motion to dismiss can only succeed if no facts alleged in the complaint are sufficient to warrant relief. Fed.R.Civ.P. 12(b)(6); *Geisler v. Petrocelli*, 616 F.2d 636, 639 (2d Cir. 1980). An examination of plaintiff's federal claims reveals inadequate facts to support the complaint. Thus, it appears that dismissal is the appropriate remedy.

1. *Copyright Infringement*

[4] Plaintiff contends that the "technical objections raised by defendants to plaintiff's infringement claims are frivolous." (Plaintiff's Reply Memorandum of Law on Motion for Provisional Relief and Cross Motions to Dismiss, p. 3) This assertion is in blatant disregard of the recently enacted statute, 17 U.S.C. § 205(d) (Supp. I 1977) which provides in pertinent part:

(d) Recordation as Prerequisite to Infringement Suit.—No person claiming by virtue of a transfer to be the owner of copyright or of any exclusive right under a copyright is entitled to institute an infringement action under this title until the instrument of transfer under which such person claims has been recorded in the Copyright Office, but suit may be instituted after such recordation on a cause of action that arose before recordation.

Recordation of the exclusive copyright transfer between American Greetings and Nation's Choice is a jurisdictional prerequisite to maintenance of a copyright infringement action. *See Co-Opportunities, Inc. v. National Broadcasting Company, Inc.*, 510 F.Supp. 43, 48 (N.D.Cal.1981); *Ruskin v. Sunrise Management, Inc.*, 506 F.Supp. 1284, 1288 (D.Col.1981); and *Burns v. Rockwood Distributing Co.*, 481 F.Supp. 841, 847 (N.D.Ill.1979). Therefore, plaintiff's failure to comply with this condition precedent strips this court of subject matter jurisdiction over plaintiff's copyright claim.

[5] Even assuming that plaintiff had complied with the proper procedural steps necessary to initiate this lawsuit, the complaint is so devoid of merit as to justify granting defendants' cross-motion to dismiss rather than ordering a dismissal without prejudice. Plaintiff has neither ar-

ticated the nature of its own copyright nor the nature of General Mills' infringement. Both companies have properly acquired exclusive licenses to reproduce the copyrighted Strawberry Shortcake characters and American Greetings, the owner of the copyright, is not alleging any infringement.² To substantiate their claim, plaintiff's must demonstrate improper appropriation or exploitation of their copyright, *Hoehling v. Universal City Studios, Inc.*, 618 F.2d 972 (2d Cir.), *cert. denied*, 449 U.S. 841, 101 S.Ct. 121, 66 L.Ed.2d 49 (1980). Plaintiff does allege that defendants "blatantly exploit[s] the vitamin supplement value of its children's cereal" (Plaintiff's Memorandum of Law in Support of Partial Summary Judgment and Preliminary Relief, p. 5), but can only point to the front panel of General Mills' cereal box to support this allegation. A mere statement describing the vitamin content of Strawberry Shortcake cereal, whether on the side or front panel of the cereal box, neither improperly infringes upon plaintiff's exclusive license nor does it extend the boundaries of General Mills' exclusive license. Without more, this count must be dismissed from plaintiff's complaint.

2. Trademark Infringement

[6] Defendant contends that registration of a trademark is a condition precedent to the filing of a trademark infringement claim. 15 U.S.C. § 1114(1)(a)(1976). However, plaintiff's complaint submits on information and belief that American Greetings did register the trademark (Plaintiff's Amended Complaint, ¶10). This being a motion to dismiss all facts alleged in the complaint are deemed admitted and the technical requirement does not bar plaintiff's action.

The question remains whether or not facts sufficient to support a trademark infringement claim are alleged. The Lanham Act, 15 U.S.C. § 1051 *et seq.*, explicitly states that infringement results when alleged infringer's use is "likely to cause confusion, or to cause mistake, or to deceive." 15 U.S.C. § 1114(1)(a). The degree of confusion required

... under both the Lanham Act and the common law, is the likelihood that the consuming public will be confused as to the source of the allegedly infringing product.

American Footwear Corp. v. General Footwear Co. Ltd., 609 F.2d 655, 664 (2d Cir. 1979), *cert. denied*, 445 U.S. 951, 100 S.Ct. 1601, 63 L.Ed.2d 787 (1980). It is under this test that plaintiff's complaint falls. There can be

²This raises the question as to whether plaintiff is even empowered to sue for infringement under its licensing agreement. My decision to dismiss the complaint obviates the need to resolve this issue.

no confusion to the public in the instant case when the source of the Strawberry Shortcake characters is the same. Furthermore, the products bearing the trademark are markedly different. It is clear from an examination of the packaging of both products that Nation's Choice is manufacturing a vitamin in accordance with its exclusive license and General Mills is marketing a cereal in compliance with its exclusive license. This fatal flaw in plaintiff's complaint warrants dismissal of the trademark infringement claim.

3. Price Discrimination

Plaintiff's final federal claim charges defendant American Greetings with unlawful price discrimination prohibited by Section 2(a) of the Robinson-Patman Antidiscrimination Act ["The Act"]. This statute provides in relevant part:

(a) It shall be unlawful for any person engaged in commerce, in the course of such commerce, either directly or indirectly, to discriminate in price between different purchasers of *commodities of like grade and quality*, where either or any of the purchases involved in such discrimination are in commerce, where such commodities are sold for use, consumption, or resale within the United States . . . and where the effect of such discrimination may be substantially to lessen competition or tend to create a monopoly in any line of commerce, or to injure, destroy, or prevent competition with any person who either grants or knowingly receives the benefit of such discrimination, or with customers of either of them. . . .

(emphasis added). 15 U.S.C. § 13(a) (1976).

[7, 8] The license agreement entered into between Nation's Choice and American Greetings stated in paragraph nine that a royalty of six percent of the net selling price of all Strawberry Shortcake products sold by plaintiff is to be paid to American Greetings. The agreement between American Greetings and General Mills on the other hand provided for a royalty rate of only two percent (Defendants' Exhibit 1, Notice of Cross-Motion, ¶9). This discrepancy constitutes a sufficient fact to defeat a motion to dismiss only if the license agreements are deemed "commodities" of "like grade of quality" in satisfaction of 15 U.S.C. § 13(a). While both contracts grant exclusive licenses in Strawberry Shortcake characters, the disparate nature of the products involved removes the instant case from the purview of the Act. The essence of the statute in question is that a seller must treat competing purchases equally. *FLM Collision Parts, Inc. v. Ford Motor Co.*, 543 F.2d 1019, 1024 (2d Cir. 1976), *cert. denied*, 429 U.S. 1097, 97 S.Ct. 1116, 51 L.Ed.2d 545 (1977). It does not appear that Nation's Choice and General Mills are in direct competition. The manufacture and marketing of cereals and vitamins are directed toward different audiences. Plaintiff's

failure to assert facts in support of a Section 2(a) violation mandates dismissal of this claim.

III. *Pendent Jurisdiction*

[9] Plaintiff's common law claims of unfair competition, tortious interference with contractual relations, breach of contract and material misrepresentations are all that remain for me to resolve.³ These claims were pled in federal court under the doctrine of pendent jurisdiction. The exercise of this doctrine rests in this court's discretion. *United Mine Workers of America v. Gibb*, 383 U.S. 715, 726, 86 S.Ct. 1130, 1139, 16 L.Ed.2d 218 (1966). It appears to be particularly imprudent here to decide plaintiff's state law claims because of the lack of sustaining federal claims. The district courts lack jurisdiction to dispose of state court claims after the federal claims have been dismissed prior to trial. *McLearn v. Cowen and Co. and Merrill Lynch Pierce Fenner and Smith, Inc.*, 660 F.2d 845 (2d Cir. 1981), (Lumbard, J.).

Accordingly, defendants' cross motions to dismiss plaintiff's complaint is GRANTED.

SO ORDERED.

³The ninth and final claim in plaintiff's amended complaint seeks a declaratory judgment extending the license agreement beyond its August 31, 1981 expiration date. A question of fact exists as to royalty payments required for any continuation of the agreement. As no basis for federal jurisdiction remains in this case, this common law claim is also dismissed.

**NEW BOSTON TELEVISION, INC. v. ENTERTAINMENT SPORTS
PROGRAMMING NETWORK, INC.**

No. 81-1010

(United States District Court, D. Massachusetts—Decided August 3, 1981)

215 USPQ 755

Action by New Boston Television, Inc., Boston Red Sox Baseball Club, and Boston Professional Hockey Association, Inc., against Entertainment Sports Programming Network, Inc., Community Cable Vision of Framingham, Inc., Greater Boston Cable Corporation, Teleprompter of Worcester, Inc., Warner Cable of Massachusetts, Inc., and Warner Cable of Salem, Inc., for copyright infringement and trademark infringement. On plaintiffs' motion for preliminary injunction. Motion granted.

COPYRIGHTS**1. Matters copyrightable—In general**

Videotaping television broadcast fixes it in tangible form and renders it subject to copyright protection.

2. Infringement—In general

Fair use defense is judicially developed doctrine now codified in Copyright Revision Act of 1976; doctrine offers means of balancing exclusive rights of copyright holder with public's interest in dissemination of information affecting areas of universal concern, such as art, science, and industry; fair use is question which depends on facts of each particular case evaluated in light of purpose and character of the use, including whether use is of commercial nature or is for nonprofit educational purposes, nature of copyrighted work, amount and substantiality of portion used in relation to copyrighted work as a whole, and effect of the use upon potential market for, or value of, copyrighted work.

3. Infringement—In general

While protection of public right of access to newsworthy information is a primary justification for fair use defense, this right is sufficiently protected merely by enabling accused to report underlying facts of baseball and hockey games which copyright owner's television videotapes record; fair use does not permit accused to appropriate owner's expression of that information by copying owner's films themselves; fair use doctrine is not license for corporate theft, empowering court to ignore copyright whenever it determines underlying work contains material of possible public importance.

4. Infringement—In general

Unique and extraordinary nature of assassination of President Kennedy renders *Time Inc. v. Bernard Geis Assoc.*, 159 USPQ 663, distinguishable from case of copying of television videotapes of baseball and hockey games.

5. Infringement—In general

Fact that accused is engaged in copying for commercial exploitation is not dispositive with respect to fair use defense, but it is factor that adds to copyright owner's case in evaluating likelihood of success on the merits.

6. Infringement—In general

It is quality of use rather than its quantity that is determinative of fair use; although accused's excerpts were of relatively short duration, where they are the highlights of each broadcast, their use may be considered substantial.

7. Infringement — In general

Copyright owners failure to market videotaped broadcasts of sports game within cable field, does not permit accused to appropriate copyrighted material and effectively preclude such efforts in future; it is for copyright owners, not accused, to determine when, and in what manner, they choose to exploit their copyright.

8. Injunction — Copyrights

Injunction — Preliminary injunction

Copyright holder in the ordinary case, may be presumed to suffer irreparable harm when his right to exclusive use of copyrighted material is invaded; preclusion of owner from substantial potential market, unlike loss of licensing fees, is not compensable by monetary damages.

Peter L. Resnick, Edward F. McLaughlin, Jr., William S. Strong, and Herrick & Smith, all of Boston, Mass, for plaintiffs.

Jerome P. Facher, William F. Lee, and Hale & Dorr, all of Boston, Mass, and Ian D. Volner, David M. Rickless, and Cohn & Marks, all of Washington, D.C., for defendants.

ZOBEL, *District Judge*. Plaintiffs, New Boston Television, Inc., the owner and operator of WSBK-TV whose signal is broadcast over television channel 38 ("WSBK"); the Boston Red Sox Baseball Club ("Red Sox"); and the Boston Professional Hockey Association, Inc. ("Bruins") bring this action to enjoin alleged copyright and trademark infringement. Defendant Entertainment Sports Programming Network, Inc. ("ESPN"), is a network which provides sports programming to cable stations for retransmission to the public, including the other five defendants ("the cable system defendants") which serve Massachusetts.

[1] The verified complaint and accompanying affidavits disclose the following facts. WSBK is the owner of the exclusive right to televise Red Sox and Bruins games in the Greater Boston Area. Each such broadcast is videotaped by WSBK thus fixing it in tangible form and rendering it subject to copyright protection. The copyright of the teleplays of all Red Sox games is owned by the Red Sox and WSBK is entitled to one half of all royalties earned by the copyright pursuant to an agreement with the Red Sox. The copyright in the videotapes of the Bruins games is controlled jointly by WSBK and the Bruins.

ESPN broadcasts programs by satellite to cable systems located throughout the country including the cable system defendants. One such program, entitled "Sportscenter" is composed of highlights of current sporting events. ESPN admits that these highlights are obtained by taping sports broadcasts of regular television stations from the public airwaves.

On September 4, 1979, Joseph C. Dimino, WSBK's general manager, received a telegram from ESPN's president, Chester R. Simmons, in which Simmons proposed to exchange segments of ESPN programs in return for segments of WSBK's sports broadcasts. WSBK declined that proposal on September 14, 1979, but offered to authorize use of highlights of its game

tapes upon payment of a fee and compliance with certain other conditions. This offer was rejected by ESPN on October 17, 1979 in a letter in which ESPN announced its intention to copy and use its copies of WSBK's broadcasts without payment or authorization. Dating from the latter part of 1979, ESPN has been copying WSBK's broadcasts of Bruins and Red Sox games, excerpting highlights, and including such highlights in its Sportscenter program and the cable system defendants have been broadcasting the Sportscenter program to their viewers. Since April 1, 1980 plaintiffs have protested this conduct by various means including letters of protest and advance notices of potential infringement.

Plaintiffs claim that defendant ESPN's conduct in videotaping, excerpting, and distributing portions of their copyright films, and the cable system defendants' conduct in broadcasting these excerpts constitute an infringement of their exclusive copyright under federal law. Such an infringement, they argue is *prima facie* evidence of irreparable harm necessary for the granting of an injunction.

Defendants admit to videotaping, excerpting, and rebroadcasting plaintiffs' copyrighted films but oppose the motion on three grounds. First, they assert that their use of the excerpts is fair use because it is a *de minimis* use for news purposes only and hence not copyright infringement within the meaning of the Copyright Act. Second, defendants contend that plaintiffs have failed to demonstrate a market effect sufficient to rise to the level of irreparable harm. Finally, they argue that plaintiffs are barred by the doctrine of laches from obtaining preliminary relief.

To be entitled to injunctive relief plaintiffs must establish a likelihood of success on the merits as well as the probability of irreparable harm. In order to determine the likelihood of plaintiffs' success on the merits the strength of defendants' claim of fair use must be evaluated.

[2] The fair use defense is a judicially developed doctrine which is now codified in the Copyright Revision Act of 1976, 17 U.S.C. § 107. It has been defined as "a privilege in others than the owner of the copyright to use the copyrighted material in a reasonable manner without his consent; notwithstanding the monopoly granted to the owner." *Rosemont Enterprises, Inc. v. Random House, Inc.*, 366 F.2d 303, 306, 150 USPQ 715, 718-719 (2d Cir. 1966), cert. denied, 385 U.S. 1009, 152 USPQ 844 (1967). The doctrine "offers a means of balancing the exclusive rights of the copyright holder with the public's interest in the dissemination of information affecting areas of universal concern, such as art, science, and industry." *Wainwright Securities, Inc. v. Wall Street Transcript Corp.*, 558 F.2d 91, 94, 194 USPQ 401, 402-403 (2d Cir. 1977), cert. denied, 434 U.S. 1014 (1978).

Fair use is a question which depends on the facts of each particular case, evaluated in light of certain criteria: 1) the purpose and character of the use, including whether such use is of a commercial nature or is for non-

profit educational purposes; 2) the nature of the copyrighted work; 3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and 4) the effect of the use upon the potential market for or value of the copyrighted work. 17 U.S.C. § 107 (1976).

[3] Defendants assert that as to the first of these factors their use is primarily for "news" purposes and hence should be protected by the fair use doctrine in order to assure the public's right of access to newsworthy information. While protection of the public right of access to such information is a primary justification for the fair use defense, this right is sufficiently protected merely by enabling defendants to report the underlying facts which the plaintiff's videotapes record. It does not however permit defendants to appropriate the plaintiff's *expression* of that information by copying the plaintiff's films themselves. "The fair use doctrine is not a license for corporate theft, empowering a court to ignore a copyright whenever it determines the underlying work contains material of possible public importance." *Iowa State University v. American Broadcasting Co.*, 621 F.2d 57, 61 (2d Cir. 1980).

[4, 5] Defendants rely on *Time Incorporated v. Bernard Geis Assoc.*, 293 F.Supp. 130, 159 USPQ 663 (S.D.N.Y. 1968) in which the Court determined that the reproduction of frames of the Zapruder film in a book inquiring into the assassination of President Kennedy was fair use. However, the unique and extraordinary nature of that historical event renders the case distinguishable from the case at bar. *Iowa State*, 621 F.2d at 61. In addition, while the defendants in *Geis* had no opportunity to record the event themselves, defendants here are under no such impediment. Moreover, defendants are engaged in copying for commercial exploitation. That fact is not dispositive and would not preclude a finding of fair use, but it is a factor which adds to the plaintiffs' case in evaluating likelihood of their success on the merits. *Iowa State University v. ABC Co.*, 621 F.2d 57 (2d Cir. 1980).

[6] Defendants assert that their use is *de minimis* because it amounts to no more than two minutes out of each videotape owned by plaintiffs. However, it is the quality of the use rather than its quantity which is determinative. *Roy Export Co. v. Columbia Broadcasting System, Inc.*, CCH Copr. L. Rptr. ¶25, 212, 208 USPQ 580 (S.D.N.Y. 1980). The excerpts used by defendants in this case, although of relatively short duration, are the "highlights" of each broadcast and as such their use may be considered substantial.

[7] Defendants contend that plaintiffs have failed to demonstrate that their transmission has had any effect on the present or potential market for plaintiffs' copyright in that plaintiffs have made no attempt to sell excerpts from their programming to any cable networks in the past, and have experienced no diminution in the substantial revenue that they receive from the three major television networks who do pay plaintiffs for the

right to broadcast highlights on their respective news shows. Assuming it to be true that the plaintiffs have made no attempt to market their broadcasts within the cable field, a fact which has not been established, this does not permit defendants to appropriate plaintiffs' copyrighted material and effectively preclude such efforts in the future. It is for plaintiffs, not defendants, to determine when and in what manner they choose to exploit their copyright. Evidence of plaintiffs' revenues from the three major networks lends further credence to their claim that defendants' use deprives them of substantial additional revenue to which they are entitled as the owners of the copyright to these materials.

[8] Finally, I conclude that plaintiffs have shown sufficient injury to warrant preliminary relief. It is well established that "a copyright holder in the ordinary case may be presumed to suffer irreparable harm when his right to the exclusive use of the copyrighted material is invaded." *American Metropolitan Enterprises v. Warner Bros. Records*, 389 F.2d 903, 905, 157 USPQ 69, 70 (2d Cir. 1968). In the present case plaintiffs have established in addition that defendants' conduct threatens to preclude them from a substantial potential market which, unlike their loss of licensing fees, is not compensable by monetary damages.

Defendants' claim of laches is based on their assertion that plaintiffs unreasonably delayed filing suit for one and one half years after defendant ESPN rejected WSBK's demand for payment. Upon a review of the parties' submissions, however, I conclude that the delay in bringing formal legal proceedings was caused in part by plaintiffs' efforts to reach an out of court resolution and in part by the fact that ESPN was a new organization and its initial efforts posed an insufficient threat to plaintiffs' copyright to warrant extensive litigation. Plaintiffs acted promptly after they became aware of ESPN's rapid growth and the improbability of a negotiated solution.

Accordingly, plaintiff's motion for a preliminary injunction is ALLOWED.

IT IS ORDERED that defendants Entertainment Sports Programming Networks, Inc., Community Cable Vision of Framingham, Inc., Greater Boston Cable Corporation, Teleprompter of Worcester, Inc., Warner Cable of Massachusetts, Inc., and Warner Cable of Salem, Inc., their agents and attorneys and all persons acting in concert or participation with them be and they hereby are enjoined from:

- (1) copying, excerpting, rebroadcasting, or transmitting in any manner any footage of any Boston Red Sox baseball game or Boston Bruins hockey game broadcast by plaintiff New Boston Television, Inc. except as plaintiffs may authorize from time to time;

- (2) in any way representing to any person that they, the defendants, have any right to copy, excerpt, rebroadcast or transmit any such footage, beyond whatever authorization plaintiffs may choose to give them,

all until further order of the court. .

IT IS FURTHER ORDERED that pursuant to Rule 65(c), Fed. R. Civ. P. plaintiffs shall post a bond in the amount of \$5,000.

**NORRIS INDUSTRIES, INC. v. INTERNATIONAL TELEPHONE
AND TELEGRAPH CORPORATION, et al.**

**INTERNATIONAL TELEPHONE AND TELEGRAPH CORPORA-
TION v. NORRIS INDUSTRIES, INC.**

Nos. TCA 80-1027 and TCA 81-0744

*(United States District Court, N. D. Florida, Tallahassee Div.—
Decided August 12, 1981)*

212 USPQ 754

[See also 696 F.2d 918, 217 USPQ 226, 47 C.O.Bull.____ (11th Cir.—
Affirmed. Jan. 24, 1983); 703 F.2d 582 (11th Cir.—*Rehearing en banc
denied*, Mar. 18, 1983); 464 U.S. 818, 104 S.Ct. 78, 78 L.Ed.2d 89, 220
USPQ 385 (U.S. Sup. Ct.—*Certiorari denied*, Oct. 3, 1983)]

Action by Norris Industries, Inc., against International Telephone and Telegraph Corporation, and David L. Ladd, Register of Copyrights, for determination of copyright registerability. On International Telephone and Telegraph Corporation's motion for partial summary judgment and on Ladd's motion for summary judgment. Motions granted.

COPYRIGHTS

1. Matter copyrightable — In general

Since registrability determination under 17 U.S.C. 411(a) replaces mandamus action against Register under 1909 Act, same standards apply; therefore, Register's denial of registration may not be overturned by federal district court absent abuse of discretion showing.

2. Matter copyrightable — In general

Utilitarian aspects of work are not subject to copyright protection.

3. Matter copyrightable — In general

Under Copyright Act of 1976, which codified pre-existing law regarding non-copyrightability of useful articles, only features that are capable of independent existence are eligible for copyright protection.

4. Matter copyrightable—In general

Basically, 1976 Copyright Act is recodification of preexisting law with regard to scope of protection of utilitarian articles.

5. Evidence—Judicial notice

Judicial notice is taken of automobile hubcap's history.

6. Matter copyrightable—In general

Court defers to Register's determination that simulated wire wheel cover is useful article.

7. Matter copyrightable—In general

Although element that is either physically or conceptually separable may be eligible for copyright protection, utilitarian object's overall design or configuration is not eligible for copyright, even if it is determined by aesthetic as well as functional considerations.

8. Matter copyrightable—In general

In accordance with 17 U.S.C. 101, only those aspects that can be separately identified and are capable of existing independently can be copyrighted.

9. Matter copyrightable—In general

In case in which pattern formed by spokes in applicant's wire wheel cover is not conceptually or physically separable, as spokes connect rim of hub portions of trim and pattern does not exist if spokes are removed, and simulation of wire wheel sought to be copyrighted is not created solely by spokes anyway, but by entire wheel cover, there exist no features that meet independent existence requirement.

Wilfred C. Varn, and Erwin, Varn, Jacobs, Odom, & Kitchen, both of Tallahassee, Fla., Joseph R. Papp, Charles H. Blair, and Harness, Dickey & Pierce, all of Birmingham, Mich., and R. James Shaffer, Long Beach, Calif., for Norris Industries, Inc.

Thomas S. Martin, Nicholas P. Geeker, Kenneth W. Sukhia, Thomas J. Byrnes, Dorothy Schrader, and John Fargo for Register of Copyrights.

Robert J. Kelly, and Rogers, Towers, Bailey, Jones & Gay, P.A., both of Tallahassee, Fla., John E. Kidd, Joseph J. C. Ranalli, Robert M. Kunstadt, Pennie & Edmonds, and Michael J. Cronin, all of New York, N.Y., for International Telephone and Telegraph Corporation.

STAFFORD, Chief Judge. Before the court are International Telephone and Telegraph Corporation's (ITT's) motions for partial summary adjudication (Document 42 in TCA 80-1027, Document 33 in TCA 81-0744) and Defendant Ladd's motion for summary judgment (Document 49 in TCA 80-1027). Oral argument on these motions was heard by the court on June 4, 1981, at which hearing the court announced its intention to grant both motions on the basis that Norris Industries, Inc.'s registered (GP 110,114) and unregistered copyrights at issue herein are invalid as a matter of law.

In 1975 Norris submitted two separate applications for copyright registration of its "ornamental trim for automotive wheel" (wire wheel

covers) both of which were initially refused on the grounds ITT now urges on this court. These denials were followed by a third application which argued that a copyright should be registered in view of the district court decision in *Esquire, Inc. v. Ringer*, 414 F.Supp. 939, 194 USPQ 30 (D.D.C. 1976), reversed 591 F.2d 796, 199 USPQ 1 (D.C. Cir. 1978), cert. denied, 440 U.S. 908, 201 USPQ 256 (1979). The Copyright Office acquiesced on the basis that doubtful cases are resolved in favor of registerability. Although *Esquire* was reversed on appeal, the Norris copyright has not been invalidated or retracted because no mechanism exists for such invalidation.

In 1977 and 1978 Norris' subsequent application for registration of ornamental trim for automotive wheels of a different design were refused on the ground that the wire wheel covers lacked sufficient sculptural expression to be considered works of art. The Copyright Office further based its refusal to register on the basis that the wire wheel covers were uncopyrightable "useful articles" under the Copyright Act of 1976, 17 USC § 101 (1976).

[1] Because a determination of registerability under 17 USC § 411(a) replaces a mandamus action against the Register under the 1909 Act, the same standards should apply. Therefore, a denial of registration by the Register may not be overturned by this court absent showing of an abuse of discretion. See *Esquire*, supra at 806 n.28, 199 USPQ at 8-9. Norris has not made such a showing here.

[2] The utilitarian aspects of a work have never been subject to copyright protection. See *Mazer v. Stein*, 347 U.S. 201, 212 n.23, 100 USPQ 325, 330-331. After the decision in *Mazer v. Stein*, the limiting regulations were revised to include the following.

If the intrinsic function of an article is its utility, the fact that the article is unique and is attractively shaped will not qualify it as a work of art. However, if the shape of a utilitarian article incorporates features such as artistic sculpture, carving, or pictorial representation, which can be identified separately and are capable of existing independently as a work of art, such features will be eligible for registration.

Esquire, Inc. v. Ringer, 591 F.2d 796, 800, 199 USPQ at 1, 3-4 (D.C. Cir. 1978), cert. denied, 440 U.S. 908, 201 USPQ 256 (1979), quoting 37 CFR § 202.10(c) (repealed).

The Register's interpretation of § 202.10(c), which caused him to reject Norris' initial applications for copyright of ornamental wheel trim just as it had caused him to reject copyright of the lighting fixtures in the *Esquire* case, derived from the principle that industrial designs are not eligible for copyright. "Congress has repeatedly rejected proposed legislation that would make copyright protection available for consumer or industrial products." *Esquire*, supra at 800, 199 USPQ at 3-4.

[3] Under the Copyright Act of 1976, which codified the pre-existing law regarding the non-copyrightability of useful articles, only features which are capable of independent existence are eligible for copyright protection. 17 USC § 101 provides:

“Pictorial, graphic, and sculptural works” include two-dimensional and three-dimensional works of fine, graphic, and applied art, photographs, prints and art reproductions, maps, globes, charts, technical drawings, diagrams, and models. Such works shall include works of artistic craftsmanship insofar as their form but not their mechanical or utilitarian aspects are concerned; the design of a useful article, as defined in this section, shall be considered a pictorial, graphic, or sculptural work only if, and only to the extent that, such design incorporates pictorial, graphic, or sculptural features that can be identified separately from, and are the utilitarian aspects of the article.

* * *

A “useful article is an article having an intrinsic utilitarian function that is not merely to portray the appearance of the article or to convey information. An article that is normally a part of a useful article is considered a “useful article.”

[4] The bill which contained the 1976 Copyright Act had originally contained a proposed Title II which would have provided for copyright in industrial designs. Title II was deleted from the final bill. H. R. Rep. No. 1476, 94th Cong., 2d Sess. 50 (1976). See also, *Esquire*, supra at 801 n.13, 199 USPQ at 4 n.13. There was strong objection to creation of a new form of intellectual property and concern over the anti-competitive effects inherent in granting a 75 to 100 year monopoly over the designs of consumer goods. Cong. Rec. H10873-74 (September 22, 1976). *Esquire*, supra at 801, 199 USPQ at 4-5. Basically, the 1976 Act is a recodification of the preexisting law with regard to the scope of protection of utilitarian articles. *Esquire*, supra at 803, 199 USPQ at 6-7.

[5, 6] Norris argues that their wire wheel covers serve no useful purpose other than to ornament or beautify an automobile, yet the Register's categorization of simulated wire wheel covers as “useful articles” as defined in the 1976 Act appears to be logical and proper. The Register and ITT argue that this particular “ornamental trim for automobile” has an “intrinsic utilitarian function,” i.e., it covers the end of the axle of a car and provides some degree of protection to lug nuts, brakes, the wheel, and the axle. Furthermore, a wheel cover is designed to be a part, however aesthetically pleasing, of an automobile, which is itself a “useful article.” The court takes judicial notice of the history of the automobile hubcap. The court also notes the Register's experience with the concepts of “intrinsic function,” “works of art,” and separation of features and defers to the Register's determination that the simulated wire wheel cover is a useful article. See *Esquire*, supra at 801, n.18, 199 USPQ 5 n.18.

Norris sought to claim copyright in its wheel covers as a whole. In essence, Norris seeks to claim copyright in the overall shape of a useful ar-

ticle, the same objective as that of the claimant in *Esquire*, asserting the exact proposition which the Register and the appellate court rejected in that case. The prior Norris wheel cover registration, granted in the wake of a court decision which was later soundly reversed, does not indicate any misapplication of the copyright statute and its regulations in the subsequent denials of registration.

[7] Although an element may be eligible for copyright protection if it is either “physically or conceptually” separable, the overall design or configuration of a utilitarian object, “even if it is determined by aesthetic as well as functional considerations, is not eligible for copyright.” *Esquire*, *supra* at 803-4, 199 USPQ at 6-7.

[8] In accordance with 17 USC § 101, only those aspects which can be separately identified and which are capable of existing independently can be copyrighted. See H.R. Rep. No. 1476, P. 5668. The issue of registration of Norris’ simulated wire wheel covers is distinguishable from the issue of registration in *Ted Arnold, Ltd. v. Silvercraft Co.*, 259 F.Supp. 733, 151 registration in *Ted Arnold, Ltd. v. Silvercraft Co.*, 259 F.Supp. 733, 151 USPQ 286 (S.D.N.Y. 1966) in which a copyright in a simulated antique telephone was registered despite the telephone’s use as a casing for a pencil sharpener. As in *Mazer v. Stein*, *supra*, the incorporation of the entirely separable work of art into a housing for a useful article did not render the work of art uncopyrightable.

[9] The pattern formed by the spokes in Norris’ wheel cover is not conceptually or physically separable because the spokes connect the rim and hub portions of the trim and the pattern does not exist if the spokes are removed. The simulation of a wire wheel, which Norris seeks to copyright, is not created solely by the spokes anyway, but by the entire wheel cover. Thus, there exist no features which meet the requirement of independent existence and the instant case is distinguishable from both *Kieselstein-Cord v. Accessories by Pearl, Inc.*, 632 F.2d 989, 208 USPQ 1 (2d Cir. 1980) and *Dan Kasoff, Inc. v. Gresco Jewelry Co.*, 204 F.Supp. 694, 133 USPQ 438 (S.D.N.Y. 1962) affirmed *per curiam*, 308 F.2d 806, 135 USPQ 209 (2d Cir. 1962).

In accordance with all of the foregoing, it is ORDERED AND ADJUDGED:

1. That there is no genuine issue as to any material fact forming the basis of the motion and International Telephone and Telegraph Corporation is entitled to partial summary adjudication in its favor as a matter of law. ITT’s motion for partial summary judgment (Document 42 in TCA 80-1027, Document 33 in TCA 81-744) should be, and hereby is, GRANTED.

2. That there is no genuine issue as to any material fact and Defendant Ladd is entitled to judgment in his favor as a matter of law. The motion

for summary judgment in favor of Defendant Ladd (Document 49 in TCA 80-1027) should be, and hereby is, GRANTED.

**O'NEILL DEVELOPMENTS, INC. v. GALEN KILBURN, INC., d/b/a
Galen Kilburn & Company**

Civ. A. No. C 81-1268

*(United States District Court, N. D. Georgia, Atlanta Division — October
22, 1981)*

524 F.Supp. 710. 216 USPQ 1123

Developer of office condominium projects brought action against second developer of office condominium projects seeking a temporary restraining order prohibiting second developer from infringing on first developer's copyrighted promotional material. The District Court, Orinda D. Evans, J., held that, inter alia, although first developer had failed to include copyright notice in its brochures, developer cured its deliberate omission of notice by complying with curative provisions of copyright statute and therefore held a valid copyright in its brochures; thus, first developer had presented sufficient proof of its probability of success on the merits to warrant temporary injunctive relief.

Order granted.

1. Copyrights and Intellectual Property

In order to establish that he is likely to succeed on the merits in action for temporary injunctive relief, an individual claiming to be a copyright owner must show ownership of a valid copyright and copying of the copyrighted material by alleged violator.

2. Copyrights and Intellectual Property

Where developer of office condominiums established "substantially similar" character of brochures of competing developer, which contained artist's sketches of developments, drawings of front view and floor plans of buildings, and tables of projected operating costs in nearly identical format to developer's brochures, contained nearly identical one page insert that quoted various publications concerning benefits of office condominium ownership, and shared some identical textual matter, developer had demonstrated sufficient probability of success on the merits in copyright infringement action to warrant temporary injunctive relief.

3. Constitutional Law

Courts have power in certain circumstances to revise statutes to conform them to clearly expressed legislative intent.

4. Statutes

When a court is faced with two possible interpretations of a statute, it is customary to refer to legislative history.

5. Copyrights and Intellectual Property

Office condominium project developer, which cured its deliberate omission of copyright notice in sales brochures by timely complying with copyright statute with respect to registration of copyrights, held a valid copyright in brochures. 17 U.S.C.A. § 405(a)(2).

6. Copyrights and Intellectual Property

Where a copyright holder has made out a case of copyright infringement, a presumption of irreparable injury arises.

7. Copyrights and Intellectual Property

Where copyright owner, an office condominium developer, presented evidence that it and alleged copyright violator were direct competitors, that several of copyright owner's office condominiums had not been sold and that transactions involving others had not yet been closed, that brochure of alleged copyright violator had caused actual confusion in real estate marketplace concerning relationship between alleged violator's office condominium project and projects of copyright owner, and that alleged violator's ongoing infringement could run its course by time of trial, sufficient irreparable injury was demonstrated to justify temporary injunctive relief.

Sumner C. Rosenberg, Herbert D. Shellhouse, Steven W. Korn, Troutman, Sanders, Lockerman & Ashmore, Atlanta, Ga., for plaintiff.

G. William Long, III, Ware, Parker, Johnson, Cook & Denlevie, Atlanta, Ga., for defendant.

ORDER

ORINDA D. EVANS, *District Judge*. Plaintiff O'Neill Developments, Inc. ("O'Neill") has applied to the Court for a temporary restraining order, prohibiting Defendant Galen Kilburn, Inc., d/b/a Galen Kilburn & Company ("Kilburn") from infringing on a certain copyright belonging to O'Neill. The Court heard oral argument on October 14, 1981, and has considered various affidavits and documentary evidence submitted by the parties.

O'Neill and Kilburn are competitors in the business of developing office condominium projects. This action concerns certain advertising brochures used by the parties in promoting their respective projects. O'Neill claims that Kilburn's advertising brochures are substantially copied from O'Neill's copyrighted promotional material.

The facts of this case are straightforward, and essentially undisputed. Both O'Neill and Kilburn are presently engaged in the development of projects in which several small office buildings are erected in a cluster and then sold to businesses for use as offices. O'Neill has two such "office condominium" projects, Northridge 400 and Powers Ridge, developed in partnership with the Griffin Company. Construction began on Northridge 400 in 1980 and on Power Ridge in 1981. Kilburn is the developer of Paces/285, a project that was begun in 1981. Northridge 400, Powers Ridge and Paces/285 are all located near Interstate 285 just to the northwest of Atlanta.

To advertise its office condominiums, and to familiarize the realty industry and the public with the advantages of office ownership, O'Neill commissioned one brochure for each of his two projects. Timothy J. O'Neill, president of O'Neill, wrote most of the text of the brochures and commissioned commercial artists to illustrate them. The Northridge 400 and Powers Ridge brochures, which are quite similar in style and content, were distributed to Atlanta area realtors, brokers and prospective customers beginning on February 25, 1980. When the brochures were distributed, they did not contain any notice of copyright.

On October 14, 1980, Galen Kilburn, president of Kilburn, called Joel Griffin, president of the Griffin Company, and expressed his interest in purchasing an office condominium in the O'Neill/Griffin Northridge 400 project. Griffin mailed him a copy of the Northridge 400 brochure. Sometime in early 1981, Kilburn prepared its own brochure to advertise its Paces/285 office condominium project. Kilburn did not obtain O'Neill's permission to copy its brochures in preparing the Paces/285 promotional material.

O'Neill became aware of the nature of the Paces/285 brochure in late May, 1981, when it began to receive inquiries from real estate brokers concerning the Paces/285 project. O'Neill's response was two-fold. First, in letters dated June 5 and June 12, 1981, O'Neill's attorney requested of Kilburn's attorney that Kilburn discontinue distribution of the Paces/285 brochure; when Kilburn refused, O'Neill filed this action on July 1, 1981. Second, on June 18, 1981, O'Neill obtained Certificates of Registration from the Register of Copyrights for the Northridge 400 and the Powers Ridge brochures; the copyrights on the brochures had not been registered previously because O'Neill "had [no] reason to believe that any other person would attempt to copy these brochures." Affidavit of Timothy J. O'Neill dated October 13, 1981 at ¶8. O'Neill also began to include notices of copyright in the brochures it distributed.

O'Neill now contends that the Paces/285 brochure infringes its copyrights on the Northridge 400 and Powers Ridge brochures and petitions the Court for temporary injunctive relief. To obtain such relief in a copyright infringement action, O'Neill must pass a four-part test:

[I]t must be demonstrated that the movant has a substantial likelihood of success on the merits, that irreparable injury will be suffered unless the injunction issues, that the threatened injury to the movant outweighs the damage which the injunction may cause the opponent, and that the injunction would not be adverse to the public interest.

Dallas Cowboy Cheerleaders, Inc. v. Scoreboard Posters, Inc., 600 F.2d 1184, 1187 (5th Cir. 1979); *Metro-Goldwyn-Mayer, Inc. v. Showcase Atlanta Cooperative Productions, Inc.*, 479 F.Supp. 351, 355 (N.D.Ga.1979). The real issue in this case concerns the first factors, O'Neill's probability of success on the merits.

[1] In order to establish that it is likely to succeed on the merits, O'Neill must show ownership of a valid copyright and copying of the copyright material by Kilburn. *Showcase Atlanta*, 479 F.Supp. at 355. The Court will consider these elements in reverse order.

[2] Examination of the three brochures reveals that the Paces/285 brochure is very similar in general format to the O'Neill brochures. All the brochures contain artist's sketches of the developments, drawings of the front view and floor plans of the buildings, tables of projected operating costs in nearly identical formats. Kilburn argues that promotional literature for any office condominium project would be likely to include these components; however, the Court is struck by the striking similarity in the manner in which these elements are presented. Furthermore, both the Powers Ridge and the Paces/285 brochures contain a one-page insert that quotes various publications concerning the benefits of office condominium ownership; five of the seven quotations or paragraphs in the Paces/285 insert also appear on the Powers Ridge insert, and both inserts are headed by the phrase "The Unique Alternative." Finally, a large percentage of the text of the Paces/285 brochure has been copied verbatim from the O'Neill brochures, and a considerable portion of the remaining text merely paraphrases the O'Neill language. The Court finds that the Paces/285 brochure is "substantially similar" to the O'Neill brochures under the "ordinary observation or impression" test. *Showcase Atlanta*, 479 F.Supp. at 356. Therefore O'Neill has demonstrated that Kilburn has copied O'Neill's brochures.

Nonetheless, O'Neill has not satisfactorily demonstrated its likelihood of success on the merits unless it has also presented evidence that it has a valid and enforceable copyright. O'Neill has submitted copies of Certificates of Registration of its copyrights to the Court. The Certificates are dated June 18, 1981, which is within five years of the first publication of its brochures on February 25, 1980; therefore, the Certificates are prima facie evidence of the validity of the copyrights. 17 U.S.C. § 410(c). Under the present Copyright Act, a copyright arises when the work is created, and registration of the copyright is not a prerequisite to its existence. 17 U.S.C. § 408(a); 2 *Nimmer on Copyright* ¶7.16[A]-[1]. Therefore O'Neill could have had an enforceable copyright in the Northridge 400 and the Powers Ridge brochures at the time that Kilburn published its Paces/285 brochure, even though the O'Neill copyrights were not registered at that time. Kilburn argues, however, that O'Neill's failure to include the copyright notice injected O'Neill's brochures into the public domain.

Under the 1909 Copyright Act, which was repealed effective January 1, 1978, publication of a work without including a notice of copyright constituted dedication of the work to the public domain. *National Comics Publications v. Fawcett Publications*, 191 F.2d 594 (2d Cir. 1951); H.R.Rep.No.1476, 94th Cong., 2d Sess. 146, *reprinted in* [1976]

U.S.Code Cong. & Ad.News 5659, 5762. The present Copyright Act still requires the inclusion of a notice of copyright. 17 U.S.C. § 401(a). However, the penalties for failure to include the notice are now "less Draconian." 2 *Nimmer on Copyright* ¶7.01 (1981).

The law still provides that a failure to include the required notice will invalidate the copyright, but permits the omission to be cured in three different ways. 17 U.S.C § 405(a). O'Neill contends that it has cured the omission by "registration [of] the work . . . within five years after the publication without notice, and a reasonable effort . . . to add notice to all copies . . . that are distributed . . . after the omission has been discovered." 17 U.S.C. § 405(a)(2).

It is undisputed that O'Neill registered its copyrights within five years of the date of publication without notice. Furthermore, O'Neill has included a notice of copyright in all brochures distributed after the existence of the copyright became an issue, that is, after O'Neill discovered the existence of Kilburn's Paces/285 brochure. Kilburn argues, however, that O'Neill has not complied with 17 U.S.C. § 405(a)(2) because it has failed to make "a reasonable effort . . . to add notice" to those copies distributed *before* June 1981.

Kilburn's argument turns on the meaning of the word "discovered" in section 405(a)(2). Kilburn contends that O'Neill's omission of the copyright notice for the first 15 months of publication was intentional, pointing to statements by O'Neill's president that copyrights were not registered at the time of first publication because he did not anticipate that anyone would ever copy the brochures. Kilburn then cites Professor Nimmer for the proposition that section 405(a)(2) is intended to apply primarily to inadvertent omissions of the copyright notice. According to Nimmer, a deliberate decision not to include a copyright notice cannot be cured under section 405(a)(2) until the copyright owner has made reasonable efforts to affix the notice to every copy in circulation. The "discovery" of a deliberate omission, Nimmer states, occurs at the moment of first publication; the reasonable efforts requirement applies to all published copies after the first. 2 *Nimmer on Copyright* ¶7.13[B][3] (1981).

There is another possible interpretation of the word "discovered," however. Congress could have intended that copyright owners could cure deliberate omissions by including a notice of copyright in those copies published after "discovery" of the fact that the existence of a copyright has become an issue. Under this interpretation, the reasonable efforts requirement would apply only to those copies published after "discovery" of facts indicating the existence of such a controversy.

On the basis of the language of the statute alone, the Court agrees with Kilburn that the Nimmer interpretation is the more persuasive of the two possible readings. However, the Nimmer interpretation is directly at odds

with the legislative history of section 405(a). The relevant portions of the House Report provide as follows:

The provisions of section 405(a) make clear that the notice requirements of section 401, 402 and 403 are not absolute and that, unlike the law in effect, the outright omission of a copyright notice does not automatically forfeit protection and throw the work into the public domain. This . . . represents a major change in the theoretical framework of American copyright law.

H.R.Rep.No.1476, 94th Cong., 2d Sess. 146, *reprinted in* [1976] U.S.Code Cong. & Ad. News 5659, 5762. The House Report goes on to say:

Under the proposed law a work published without any copyright notice will still be subject to statutory protection for at least 5 years, whether the omission was partial or total, unintentional or deliberate.

Id. at 147. Section 405(a)(2) is the only subsection of section 405(a) that contains any mention of a five-year period, so the “unintentional or deliberate” language must refer specifically to section 405(a)(2).

Kilburn asks the Court to ignore this clear expression of Congressional intent because it appears to be at odds with the more persuasive reading of the statutory language. This is the course adopted by Nimmer, who states, “No matter how clear the express legislative intent, it cannot be given effect where it contradicts the unambiguous statutory text.” 2 *Nimmer on Copyright* ¶7.13[8][3] (1981). The Court rejects the Nimmer view for two reasons.

[3] First, courts do indeed have power in certain circumstances to revise statutes to conform them to clearly expressed legislative intent. *See, e.g., Church of the Holy Trinity v. United States*, 143 U.S. 457, 12 S.Ct. 511, 36 L.Ed. 226 (1892). The Fifth Circuit has recently discussed this power at length, *Abdalla v. Commissioner*, 647 F.2d 487, 496–503 (5th Cir. 1981), and in so doing cited several recent examples of such judicial revision by the Supreme Court and the Fifth, Seventh and District of Columbia Circuits. *Id.* at 496 n.13. Furthermore, even where the language of the statute appears to be unambiguous, the Court is required to consider contrary expressions in the legislative history. *Train v. Colorado Public Interest Research Group*, 426 U.S. 1, 96 S.Ct. 1938, 48 L.Ed.2d 434 (1976). The statute at issue in *Train*, the Federal Water Pollution Control Act (“FWPCA”), by its own terms unambiguously required the Environmental Protection Agency to regulate the discharge of all radioactive materials into bodies of water. The *Train* litigation arose when EPA refused to regulate the discharge of radioactive materials by nuclear power plants, citing legislative history of the FWPCA that indicated a congressional intent that such discharges continue to be regulated exclusively by the

Atomic Energy Commission. In requiring EPA to regulate nuclear power plant radioactive water pollutants, the Tenth Circuit relied on the plain language of the FWPCA and specifically refused to consider its legislative history. The Supreme Court reversed, stating,

To the extent that the Court of Appeals excluded reference to the legislative history of the FWPCA in discerning its meaning, the court was in error. As we have noted before: "When aid to construction of the meaning of words, as used in the statute, is available, there certainly can be no 'rule of law' which forbids its use, however clear the words may appear on 'superficial examination.' "

Id. at 9-10, 96 S.Ct. at 1942, quoting *United States v. American Trucking Associations, Inc.*, 310 U.S. 534, 543-44, 60 S.Ct. 1059, 1063-64, 84 L.Ed. 1345 (1940).

[4, 5] More importantly, the Court disagrees with Nimmer's opinion that the text of section 405(a)(2) is "unambiguous." The section is not a model of clarity, and especially in light of its legislative history the Court believes that it is susceptible of the two interpretations set forth earlier in this Order. When a court is faced with two possible interpretations of a statute, it is customary to refer to the legislative history. *United States v. Noe*, 634 F.2d 860 (5th Cir. 1981). The legislative history of section 405(a)(2), of course, indicates that Congress intended it to apply to "unintentional or deliberate" omissions of the copyright notice. It is undisputed that O'Neill has included copyright notices in those copies of the brochure distributed after June 1981. The Court therefore finds that O'Neill has cured its deliberate omission of the notice by complying with 17 U.S.C. § 405(a)(2), and that as a result O'Neill holds a valid copyright in the Northridge 400 and Powers Ridge brochures. O'Neil has thus presented sufficient proof of its probability of success on the merits to warrant temporary injunctive relief.

[6, 7] Because O'Neill has made out a case of copyright infringement, a presumption of irreparable injury arises. *Metro-Goldwyn-Mayer, Inc. v. Showcase Atlanta Cooperative Productions, Inc.*, 479 F.Supp. 351, 362 (N.D.Ga.1979) and cases cited therein. Furthermore, O'Neill has presented evidence that the parties are direct competitors, that several of O'Neill's office condominiums have not yet been sold and that transactions involving others have not yet been closed, and that the Paces/285 brochure has caused actual confusion in the real estate marketplace concerning the relationship between that project and those of O'Neill. Finally, Kilburn's ongoing infringement may well have run its course by the time of trial. The Court finds sufficient irreparable injury to justify temporary injunctive relief. Furthermore, the Court finds that the magnitude of this damage is greater than the damage that a temporary restraining order or injunction will impose upon Kilburn. Finally, the Court finds that the granting of temporary injunctive relief would not be adverse to the public interest.

On the basis of the foregoing analysis, the Court GRANTS O'Neill's request for a temporary restraining order. Defendant Galen Kilburn, Inc., d/b/a Galen Kilburn & Company, its agents, servants and employees, and all others with actual notice, are hereby RESTRAINED from infringing the copyrights of Plaintiff O'Neill Developments, Inc., in its Northridge 400 and Powers Ridge brochures, and from publishing, or distributing, in any manner, any further copies of the Paces/285 brochure, pending further order of this Court.

PAPERCRAFT CORPORATION, Plaintiff-Counterdefendant, v. **GIBSON GREETING CARDS, INC.** and Harry N. Abrams, Inc., Defendants-Counterplaintiffs, and Unieboek B.V./Van Holkema & Warendorf, Additional Plaintiff on the Counterclaims

No. 80 Civ. 697(MEL)

(United States District Court, S. D. New York—June 10, 1981)

515 F.Supp. 727. 212 USPQ 599

Plaintiff, marketer of giftwrap, brought action against trademark licensee and sublicensee, seeking declaration that it was not infringing defendants' rights and seeking damages for unfair competition. Licensee, sublicensee, and licensor counterclaimed for copyright and trademark infringement and for unfair competition, and plaintiff moved for "summary judgment dismissing" affirmative defense asserted by licensee. The District Court, Lasker, J., held that fact that sublicense had been granted to subsidiary of plaintiff to market cloth kitchen and bathroom accessories did not estop plaintiff from obtaining trademark-related relief under sublicense agreement.

Motion granted.

Trade Regulation

Fact that licensee had granted trademark sublicense to subsidiary of plaintiff did not estop plaintiff from obtaining trademark-related relief, where licensee failed to show that sublicensee was substantially dominated by plaintiff or that such control was used to perpetrate a fraud causing licensee's alleged injury, where plaintiff showed that its existence was separate and independent from sublicensee's, and where there was no evidence showing that plaintiff hid behind subsidiary or in any other way acted in bad faith so as to warrant extension of an equitable doctrine.

Amster, Rothstein & Engelberg, New York City, for plaintiff; Morton Amster, Anthony F. Lo Cicero, New York City, of counsel.

Albert Robin, New York City, for defendant-counterplaintiff, Harry N. Abrams, Inc.

LASKER, *District Judge*. Papercraft Corporation moves for “summary judgment dismissing” the second affirmative defense asserted by Harry N. Abrams, Inc. (“Abrams”).

Unieboek B.V./Van Holkema & Warendorf (“Unieboek”), a Dutch company, owns the copyright in a book originally published in the Dutch language and subsequently published in the United States under the title *Gnomes*, which is a fanciful story of elf- or dwarf-like characters living under ground. Unieboek granted Abrams an exclusive license under the copyright and Abrams has licensed to Gibson Greeting cards the right to market giftwrap using the names, titles and characters from the *Gnomes* book. Abrams has also similarly licensed Barth & Dreyfuss (B&D), a subsidiary of Papercraft, to market cloth kitchen and bathroom accessories.

Papercraft also markets giftwrap using gnome characters in the design, and sues Abrams and Gibson seeking a declaration that it is not infringing their rights and damages for unfair competition.

Abrams, Gibson and Unieboek counterclaim for copyright and trademark infringement and for unfair competition. In its second affirmative defense, Abrams contends that Papercraft is barred from obtaining trademark-related relief by the license agreement between Abrams and B&D, Papercraft’s subsidiary. Paragraph 11 of that agreement provides in relevant part:

“11. *TRADEMARK RIGHTS*.

LICENSEE hereby acknowledges that UNIEBOEK and ABRAMS owns the exclusive rights to any trademark(s) now existing, or which may in the future exist, associated with the LICENSED DESIGNS and LICENSED PRODUCT(S), and agrees that any use of said trademark(s) shall inure to the benefit of UNIEBOEK. LICENSEE agrees not to act or fail to act in a manner adverse to said rights, and agrees to take whatever action is necessary or appropriate to protect UNIEBOEK’S rights in said trademark(s).”

Exhibit 2 to Affidavit of Julian Galperson sworn October 14, 1980.

Papercraft argues that although B&D is estopped from challenging the validity of the *Gnomes* trademark, Papercraft is not bound by the agreement entered into by B&D because the two companies are separate and operate independently.

Abrams argues that (1) Papercraft should be estopped because it is receiving the benefit of the license agreement (since B&D is wholly owned by Papercraft), (2) Papercraft is “implicitly a party” to the agreement because the preamble states that the licensee is “BARTH & DREYFUSS OF CALIFORNIA, a wholly-owned subsidiary of PAPER-CRAFT CORPORATION,” (3) Papercraft is “more than a parent of B&D,” (4) Papercraft was involved in the negotiation of the agreement and (5) the acquisition of B&D by Papercraft was a de facto merger.

None of Abrams’ contentions carries the day. As to those arguments which go to piercing the corporate veil between Papercraft and B&D,

Abrams has not shown that B&D is substantially dominated by Papercraft, or, even if it were, that such control was used to perpetrate a fraud which proximately caused Abrams' alleged injury. *Interocean Shipping Company v. National Shipping and Trading Corporation*, 523 F.2d 527, 539 (2d Cir. 1975), *cert. denied*, 423 U.S. 1054, 96 S.Ct. 785, 46 L.Ed.2d 643 (1976); *Fisser V. International Bank*, 282 F.2d 231, 239 (2d Cir. 1960). On the other hand, Papercraft has shown that its existence is separate and independent from B&D's by virtue of their separate employees and officers (except for one common officer), pension plans, corporate books and records, accounts, and offices (Affidavit of Julian Galperson, sworn October 14, 1980).

Abrams next contends that because Papercraft (as owner of B&D) benefits from the license of the *Gnomes* trademark to its subsidiary B&D, it should be estopped from denying the validity of the *Gnomes* trademark under the rationale of the doctrine of licensee estoppel—that one should not be permitted to challenge the validity of a trademark while reaping its benefits.

However, as Abrams concedes, there are no cases in which a doctrine of licensee estoppel has been extended to bar one other than a licensee from challenging a trademark's validity because of the derivation of benefit from the license. Moreover, the Seventh Circuit has rejected a similar argument in the only case we have found to address the issue, *Donald F. Duncan, Inc. v. Royal Tops Manufacturing Company*, 343 F.2d 655 (7th Cir. 1965). There, the court held that an agent of a licensee was not estopped from challenging the plaintiff's trademark, despite plaintiff's contention that the agent was benefitting from the license of the trademark to this principal. It is true that the court relied on the fact that the agent was not an agent for the licensee at the time the license agreement was entered, *id.* at 659, and here Papercraft owned B&D at the time the contract with Abrams was entered. However, the agent in *Duncan* was benefitting from the trademark at the time the challenge to its validity was asserted, and Abrams' contention is that Papercraft should be estopped because it *presently* benefits from the license. Accordingly, *Duncan* is instructive. Furthermore, to sustain Abrams' position that Papercraft is estopped would appear to extend the doctrine of license estoppel to anyone who derives a benefit from the license of a trademark. Such an extension should not be made without indication by higher authority.

It should be noted that this case does not raise the question whether one who benefits from a license should be estopped because of having acted so as to avoid the restrictions placed on a licensee while retaining the trademark's benefits. There is neither an allegation nor any evidence showing that Papercraft hid behind the B&D entity either to benefit from the license or to avoid estoppel on its challenge to the trademark's validity, or in any other way acted in bad faith so as to warrant the extension of an equitable doctrine to this case.

Accordingly, the motion for summary judgment dismissing the second affirmative defense asserted by Abrams is GRANTED.

IT IS SO ORDERED.

PARAMOUNT PICTURES CORPORATION v. RUBINOWITZ, et al.

No. CV 81 0925

(United States District Court, E. D. New York—Decided June 26, 1981)

217 USPQ 48

Action by Paramount Pictures Corporation, against Leslie Rubinowitz, also known as Les Rubinowitz, Beatrice Rubinowitz, and All-Star Video Corp., for copyright infringement, trademark infringement, and unfair competition. On defendants' motion for summary judgment, and on plaintiff's motion for partial summary judgment. Plaintiff's motion granted.

COPYRIGHTS

1. Common Law copyright

Copyright interests were protected by owner's common law copyright in unpublished works prior to 1976 Copyright Act; 1976 Act, which took effect on Jan. 1, 1978, provided that works protected by common law copyright would be converted into statutory copyrights, provided that there had been no publication to divest owner of interest.

2. In general

All causes of action that accrue after Jan. 1, 1978 are governed by 1976 Copyright Act.

3. Publication

General publication occurs when work is made available to members of public at large without regard to who they are or what they propose to do with it; general publication is such dissemination of work itself among public as justifies belief that it has been dedicated to public and rendered common property; limited publication occurs when tangible copies of work are distributed, but to limited class of persons and for limited purpose; in cases where general publication has been found, creator has made his work available in manner that suggested that any interested person could have copy.

Moses & Singer, New York, N.Y., for plaintiff.

Marchi, Jaffe, Cohen, Crystal, Rosner & Katz, New York, N.Y. for defendants.

BRAMWELL, *District Judge*. Paramount Pictures Corporation ("Paramount"), by its complaint, has alleged that Leslie Rubinowitz,

Beatrice Rubinowitz and All-Star Video Corp. ("All Star Video") have engaged in copyright infringement, trademark infringement, and unfair competition stemming from unauthorized sale of "Star Trek" videotape cassettes. Paramount has invoked jurisdiction pursuant to 28 U.S.C. § 1338(a) and (b)(1976), because this action arises under the Copyright Act of 1976, 17 U.S.C. §§ 101 et seq. (1976) (hereinafter "the Copyright Act of 1976"), and the Federal Trademark Act of 1946, 15 U.S.C. §§ 1051 et seq. (1976). In its prayer for relief, the plaintiff sought a preliminary injunction, enjoining the defendants from infringing Paramount's copyrights, trademarks, and other proprietary rights in the "Star Trek" episodes, damages and treble damages pursuant to Section 35 of the Trademark Act of 1946, an accounting of all monies derived from the unauthorized sales, expenses and punitive damages in the amount of five million dollars.

All-Star Video thereafter filed an answer and moved for summary judgment pursuant to Rule 56 of the Federal Rules of Civil Procedure, arguing that Paramount's copyright registration was invalid because Paramount has published the "Star Trek" episodes without notice of copyright. In its reply, Paramount also cross-moved for partial summary judgment on the same issue. On June 4, 1981, this Court held a hearing on Paramount's motion for a preliminary injunction. After viewing both Paramount's and All-Star Video's cassettes, a preliminary injunction was granted based on trademark infringement and unfair competition. This Court, however, reserved decision on All-Star Video's summary judgment motion and requested that Paramount submit a representative sampling of its syndication and licensing agreements, which it has done. This Court can now proceed to the merits of All-Star Video's motion.

The "Star Trek" television series* was produced between 1966 and 1968 and was created by Paramount and its predecessor, Desilu Productions, Inc. Since its original television run, the series has been re-run by more than 140 stations in the United States, and has spawned an animated cartoon series, more than 200 fan organizations, licensed products including toys, novelties, luggage, games, personal accessories, clothing, records, books and other publications, and a full-length feature film. The "Star Trek" episodes, therefore, are assets of considerable value to Paramount. Kalcheim Affidavit, ¶¶ 2 and 3; Exhibits 1 and 2. All-Star Video contends that Paramount's syndication of the "Star Trek" series to television stations throughout the country without a copyright notice dedicated the work to the public domain. Paramount argues that the leasing of the episodes solely for exhibition or broadcasting did not impair its common law copyright, and therefore, it presently holds a valid copyright on the series which All-Star Video infringed by its unauthorized sales.

*These facts are taken from the various papers submitted by the parties in connection with this action.

Rule 56(c) of the Federal Rules of Civil Procedure permits a district court to grant summary judgment when an action presents no genuine issues of material fact and when the moving party is entitled to judgment as a matter of law. See *Addickes v. S.H.Kress and Co.*, 398 U.S. 144, 157 (1970); *SEC v. Research Automation Corp.*, 585 F.2d 31, 33 (2d Cir. 1978). In the instant case, both parties acknowledge that there are no genuine issues as to any material facts, and therefore they ask this Court to decide this motion as one presenting only a question of law.

[1] Prior to the Copyright Act of 1976, Paramount's copyright interests were protected by an owner's common law copyright in unpublished works. Provided that there has been no "publication" to divest the owner of interest, the Copyright Act of 1976, which took effect on January 1, 1978, provided that works protected by a common law copyright would be converted into statutory copyrights. 17 U.S.C. § 303 (1976). Thus, if Paramount had a valid and subsisting common law copyright in the "Star Trek" series, it was converted into a statutory copyright. See Exhibits 1 and 2. If, however, as All-Star Video suggests, the series was in the public domain prior to 1978, Paramount would have had no interest left in the episodes to convert under the statute, and the copyright would be invalid. The issue before this Court, therefore, is whether the "Star Trek" episodes were "published" because they were widely syndicated without a copyright notice prior to 1978.

All-Star Video has argued that, since Paramount has brought this action pursuant to the Copyright Act of 1976, its definition of "publication" should control. The Act provides:

"Publication" is the distribution of copies or phono-records of a work to the public by sale or other transfer of ownership, or by rental, lease or lending. *The offering to distribute copies or phono-records to a group of persons for purposes of further distribution, public performance, or public display, constitutes publication.* * * *"
[emphasis supplied]

17 U.S.C. § 101 (1976). All-Star Video contends, therefore, that the syndication of "Star Trek" to television is a publication under the Act which destroyed Paramount's interest in the series. In support of this position, All-Star Video cites the leading authority on copyright:

Under the current Act the distribution of copies of a motion picture to television stations for broadcast purposes constitutes an act of publication. * * *

M. Nimmer, *Nimmer on Copyright* § 4.11[B], 4-55 (1978) (hereinafter "Nimmer on Copyright").

[2] All-Star Video is correct in its assertion that all causes of action which accrue after January 1, 1978 are governed by the Copyright Act of 1976. However, since at least one of the defendant's arguments is that the series was published prior to 1978, the date Paramount claims as the first

publication date, the definition of publication must be determined by reference to the common law. See *Burke v. National Broadcasting Co., Inc.*, 598 F.2d 688 202 USPQ 531 (1st Cir. 1979).

The definition of publication prior to the enactment of the 1976 Act is a subject of some controversy. Nimmer states:

The 1909 Act was not explicit on this issue * * * [i]t may nevertheless be concluded that the rule articulated under the current Act represents a codification of what implicitly was the rule with respect to pre-1978 publications. Applying principles applicable to the distribution of motion pictures to theaters * * * publication occurs with respect to television distribution when copies are made available for general distribution or syndication to television stations. *This situation is easily definable when a television producer sells or distributes film prints or videotape to independent television stations:* [emphasis supplied]

Nimmer on Copyright, § 4.11[B], 4-55 (1978).

Notwithstanding Nimmer's position, it is not clear that pre-1978 law maintained the view that leasing or distributing film prints for exhibition was tantamount to a publication. In *Patterson v. Century Production, Inc.*, 93 F.2d 489, 35 USPQ 471 (2d Cir. 1937), the court held that a limited distribution for non-commercial purposes did not constitute a general publication. It observed.

[t]he test of general publication is whether the exhibition of the work to the public is under such conditions as to show dedication without reservation of rights or only the right to view or inspect it without more. *American Tobacco Co. v. Werckmeister*, 207 U.S. 284 (citations omitted). If the conditions of publication are such that the only right is to look at the copy of the work exhibited, there is no general publication which makes the work thereafter a published work in the copyright sense. *McCarthy & Fischer v. White* (D.C.) 259 F. 364.

93 F.2d at 492. See also *Nutt v National Institute Inc.*, 31 F.2d 236, 238 (2d Cir. 1929).

Nimmer notes that the proper inference to be drawn from *Patterson* is that "where distribution of a film is made on an unrestricted and commercial basis such distribution constitutes a general publication." Nimmer on Copyright, § 4.11[A], 4-54 (1978). Support for the position that unrestricted commercial distribution is general publication, was found in *Jewelers Mercantile Agency, Ltd. v. Jewelers' Weekly Publishing Co.*, 155 N.Y. 241 49 N.E. 872 (1898), a case involving the leasing of books. The court held that publication occurs when the works are placed in the exchanges and are made available for rental without regard to who will rent the works or what will be done with them.

[3] The distinction between "general" and "limited" publication was thoroughly reviewed in *Burke v. National Broadcasting Co., Inc.*, 598 F.2d 688, 202 USPQ 531 (1st Cir. 1979). The First Circuit stated that

[a] general publication occurs when a work is made available to members of the public at large without regard to who they are or what they propose to do with it (citations omitted). A general publication is such dissemination of the work itself

among the public as justifies the belief that it has been dedicated to the public and rendered common property. (citation omitted)

Id. at 691. A limited publication, however, “occurs when tangible copies of the work are distributed, but to a limited class of persons and for a limited purpose.” Id. at 692. The distinction between the two is one of degree, and depends primarily on the creator’s actions. Id. (citing *Public Affairs Associates, Inc. v. Rickover*, 284 F.2d 262, 270-71, 127 USPQ 231, 237-39 (D.C. Cir. 1960), vacated on other grounds, 369 U.S. 111, 132 USPQ 535 (1962)). “In cases where general publication has been found, the creator has made his work available in a manner that suggested that any interested person could have a copy.” Id.¹ the question, therefore, for purposes of this motion is whether Paramount made the “Star Trek” series available without regard to who obtained it or for what purpose.

Paramount has submitted to this Court for use in connection with this motion a representative sampling of its licensing agreements with television stations for the exhibition of the “Star Trek” series. In his supplementary affidavit, Paramount’s attorney states that Paramount utilized five standard licensing agreements between 1969 and 1979. Supplementary Affidavit of David Rabinowitz, Exhibits 1-20. These agreements were of two types: library licenses and booking licenses. Library licenses provided that the television stations received copies of all 79 “Star Trek” episodes which the stations retained for the term of the license. At the end of the term, the stations were required to return all the prints to Paramount. Under booking licenses, television stations received the episodes one by one for broadcast and returned them within 48 hours of broadcast.

Regardless of which form was utilized, however, the restrictions upon the licensee for use of the episodes were virtually identical. Each licensing agreement provided that the series could only be broadcast to non-paying audiences, that the licensee could not part with possession of the print or prints, and that the licensee could not permit any copies to be made.²

¹Most recently, in *National Broadcasting Company, Inc. v. Jonathan Sonneborn*, No. B-80-189 (D. Conn. July 25, 1980) (Order granting preliminary injunction), a District Court held that NBC had “jealously guarded” the dissemination of the 1960 television version of “Peter Pan” and therefore, despite its broadcast in 1960, 1963, 1966 and 1973, there was no “general publication.”

²These agreements provided:

Licensee shall not permit broadcasts of films other than television broadcasts from originating transmitter of station(s) licensed hereby to nonpaying audiences within territory licensed hereby, permit exhibition by way of television broadcasting or otherwise, of any film or portion thereof in any theaters, auditorium or other place where admission is charged; authorize any broadcast to be amplified, retransmitted or relayed on any station’s frequency or otherwise by any translator or booster station (except any such expressly licensed hereby), community antenna or any other device or method; part with possession any print except as necessary to permit broadcasting and shipment as authorized hereunder; make or permit the making of any copies or duplicate of any prints; do or permit the doing of any act which would impair the copyright or other rights in any film or distributor’s title to any print.

See Exhibits 1-8, Paragraph 2; Exhibits 9-20, Paragraph 2.

Similarly, each licensee had to comply with restrictions on delivery and return of each print. Exhibits 1-8, Paragraph 5; Exhibits 9-20, Paragraph 4.

Therefore, Paramount's explicit and exhaustive reservation of rights cannot be interpreted as a general publication which would have placed the series in the public domain. Paramount's efforts to preserve its rights in the "Star Trek" series are analogous to the conduct relied upon by the courts in *Patterson v. Century Production, Inc.*, 93 F.2d 489, 35 USPQ 471 (2d Cir. 1937), and *Burke v. National Broadcasting Co., Inc.*, 598 F.2d 688, 202 USPQ 531 (1st Cir. 1979).

Nor does the rationale expressed by Nimmer apply. See Nimmer on Copyright, § 4.11[B], 4-55 (1978). Nimmer states that "where distribution of a film is made on an unrestricted and commercial basis such distribution constitutes a general publication." *Id.* He further notes as the rationale for this rule that by placing the film prints in regional distribution offices for rental to anyone, the creator of the work has relinquished control. In the instant case, however, Paramount contracted separately with each individual television station, undertaking while it did so to reserve its rights in each contract as to the number of persons who would have access to the series and the use they could make of it. Accordingly, Paramount's publication of "Star Trek" was limited as to both the class of persons and the purpose, rendering it a limited publication which did not impair its common law copyright. This Court is therefore of the opinion that Paramount obtained full copyright protection when it registered the series, and the conduct of All-Star Video was an infringement.

Disposition

For the foregoing reasons, it is hereby ORDERED that All-Star Video's motion for summary judgment based on the invalidity of Paramount's copyright registration is DENIED; and it is further.

ORDERED that Paramount's cross-motion for partial summary judgment is hereby GRANTED.

The **PILLSBURY COMPANY v. MILKY WAY PRODUCTIONS, INC.,**
et al

No. C78-679A

*(United States District Court, N. D. Georgia, Atlanta Div. — Decided
December 24, 1981)*

215 USPQ 124

[See also 204 USPQ 106, 42 C.O.Bull. 626 (N.D. Ga., Nov. 30, 1978)]

Action by The Pillsbury Company, against Milky Way Productions, Inc., MGT Corp., and Gateway Books, Inc., for copyright infringement, trademark infringement, violation of Georgia Uniform Deceptive Trade Practices Act, dilution, tortious tarnishment of its marks, trade characters, and jingle, and libel per se. Judgment for plaintiff in part.

COPYRIGHTS

1. Infringement — In general

Infringement suit may not be instituted until plaintiff registers its copyright; although registering copyright is necessary precedent to filing suit, it does not create cause of action for copyright infringement; cause of action exists at common law, but under Copyright Act one cannot enforce his rights in courts until he registers copyright with Copyright Office; thus, one can bring action for infringement of work that was not copyrighted at time alleged infringement took place.

2. Infringement — In general

To establish infringement of its copyright, plaintiff must show by preponderance of evidence that it owned copyright in question and that protected work was “copied” by defendant.

3. Infringement — Copying essential

Plaintiff need not produce direct evidence of copying in order to prevail on issue of copying; it may prevail by showing that defendant had opportunity to view copyrighted work and that defendant’s work is substantially similar to protected work or that two works are so similar as to preclude likelihood of independent creation; because direct evidence of copying is rarely available, courts prefer not to handicap plaintiffs in infringement suits in this regard; consequently, once plaintiff proves substantial similarity, courts typically shift burden to defendant to rebut inference of copying that arises from plaintiff’s showing.

4. Infringement — In general

Fact that defendant borrowed only portion of copyrighted label, namely trade character, does not preclude court from finding that it infringed plaintiff’s copyright in label.

5. Accounting — Damages — Copyrights

Costs — Attorney’s fees

Under 17 USC 412, plaintiffs cannot receive statutory damages or attorney’s fees for infringements that occur after work has been published but over 3 months before copyright is registered.

6. Infringement — In general

Establishing that infringement of plaintiff's copyrights is protected by fair use doctrine falls upon defendant.

7. Infringement — In general

Fair use defense, codified in 17 USC 107, turns upon purpose and character of use, including whether such use is of commercial nature or is for nonprofit educational purposes, nature of copyrighted work, amount and substantiality of portion used in relation to copyrighted work as whole, and effect of use upon potential market for or value of copyrighted work.

8. Infringement — In general

17 USC 107 merely restates common law doctrine of fair use; courts traditionally have placed heaviest emphasis on whether defendant's unauthorized use affects potential market for plaintiff's copyrighted work.

9. Infringement — In general

Evidence that copyrighted works are valuable supplies only part of critical showing; plaintiff must also show that defendants' unauthorized use of copyrighted works has affected or may affect their market value.

10. Infringement — In general

Georgia federal district court is not inclined to presume economic injury from acknowledged commercial value of infringed copyrighted works.

11. Infringement — In general

Social commentary placed in newspaper or magazine is not put to commercial use simply because publication is sold rather than given to public.

12. Infringement — In general

Copyright Act does not expressly exclude pornographic materials from parameters of fair use defense; character of unauthorized use is relevant, but fact that this use is pornographic in nature does not militate against finding of fair use; obscenity exception to fair use defense could fragment uniform national standards of Copyright Act because definition of obscenity varies from community to community, and applicability of Copyright Act, including fair use defense, does not; if not unconstitutional, such exception would certainly be difficult to apply.

13. Infringement — In general

Fact that defendants used more than was necessary to accomplish desired effect does not foreclose finding of fair use; all 4 fair use factors must be considered together in Fifth Circuit; special emphasis, however, is placed on whether defendants' unauthorized use affects potential market for plaintiff's copyrighted work; plaintiff's failure to show any appreciable harm to potential market for or value of its copyrighted works bears significantly upon relative fairness of defendant's unauthorized use of these copyrighted works.

14. In general

One of principal purposes of Copyright Act is to preserve profit motive for creating original works; under this Act, author's or creator's investment in work and ability to capitalize on this investment are entitled to protection; same Act, however, creates safe harbor for infringing uses which in Congress' collective judgment serve too important purpose to permit suppression.

TRADEMARKS

15. Infringement—Concurrent uses

Failure to contest all infringing uses does not preclude plaintiff from challenging defendant's unauthorized use.

16. Infringement—Concurrent uses

Uncontested third-party use, however, may dilute strength of plaintiff's mark and limit scope of protection to which these marks are entitled; these same uses also weigh against plaintiff's claim that defendants' allegedly infringing use is likely to injure plaintiff's commercial reputation.

17. Class of goods—Particular cases—Not similar

Pornographic magazines and books, and variety of food products, are not even remotely similar.

18. Evidence—Of confusion

Best evidence of likelihood of confusion is proof of actual confusion.

19. Evidence—Of confusion

Identity and similarity—How determined—In general

Plaintiff's belief that any evidence of actual confusion, no matter how slight, will sustain its burden of showing likelihood of confusion is in error; evidence of actual confusion, although more probative on this issue, is but one of facts court considers in assessing plaintiff's claim of infringement; more important, evidence of occasional, isolated instances of confusion is insufficient to sustain finding of likelihood of confusion when given similarities between plaintiff's mark and alleged infringer's mark, duration of their concurrent use, and total volume of sales under both marks, it would be reasonable to expect that if plaintiff's allegations were true, more instances of confusion would have been reported.

20. Statutes and treaties

Actionable dilution occurs under Georgia anti-dilution statute when by subsequent unauthorized use of plaintiff's marks, uniqueness of plaintiff's marks as designation for its products is diminished by defendant's unauthorized use of these marks, notwithstanding absence of competition between parties or of confusion as to source of goods or services; basis for this cause of action is belief that owner of these marks should not have to stand by and watch diminution in their value as result of unauthorized uses by others; all plaintiff need show to prevail is that contested use is likely to injure its commercial reputation or dilute distinctive quality of its marks.

A. Felton Jenkins, Jr., King & Spalding, Julius R. Lunsford, Jr., and J. Rodgers Lunsford, III, all of Atlanta, Ga., and James L. Dooley, Robert W. Adams, and Cushman, Darby & Cushman, all of Washington, D.C., for plaintiff.

Warren C. Fortson, Andrew Eugene Smith, and Smith, Cohen, Ringel, Kohler & Martin, all of Atlanta, Ga., for defendants.

Reber Boulton, Atlanta, Ga., and Kenneth P. Norwick, New York, N.Y., for defendant Milky Way Productions, Inc.

Robert Eugene Smith, Atlanta, Ga., for defendants MGT Corp. and Gateway Books, Inc.

Glen Zell, Atlanta, Ga., for defendant Gateway Books, Inc.

O'KELLEY, *District Judge*. In its December 19, 1977 issue of *Screw* magazine, the defendant Milky Way Productions, Inc. [Milky Way] published a picture of figures resembling the plaintiff's trade character "Poppin' Fresh" and "Poppie Fresh" engaged in sexual intercourse and fellatio. This picture also featured the plaintiff's barrelhead trademark and its jingle, the refrain of a two stanza song entitled "The Pillsbury Baking Song." The same picture was published in the February 20, 1978 issue of Al Goldstein's *Screw*.

Contending that the manner in which Milky Way presented this picture suggested that the plaintiff placed or sponsored it as an advertisement in *Screw* magazine, the Pillsbury Company [Pillsbury] instituted this action. In its original complaint, the plaintiff alleged several counts of copyright infringement, federal statutory and common law trademark infringement, violations of the Georgia Uniform Deceptive Trade Practices Act and of the Georgia "anti-dilution" statute, and several counts of tortious tarnishment of its marks, trade characters, and jingle. The plaintiff later amended its complaint to name as defendants MGT Corp. and Gateway Books, Inc., local bookstores charged with distributing these issues of *Screw*, and to allege a claim of libel per se. The plaintiff also requests that the court find Milky Way in contempt for violating this court's temporary restraining order of April 21, 1978.

In its defense, Milky Way contends that its use of the plaintiff's marks and copyrighted works is protected by the first amendment¹ and/or the fair use doctrine and that there is no likelihood that an ordinary purchaser would confuse the source of sponsorship of this picture. Milky Way also takes issue with the plaintiff's claim that it violated the court's temporary restraining order. The defendant bookstores opposes the plaintiff's claims on the sole ground that they had no knowledge of the specific contents of the *Screw* magazines they sold and that, therefore, these sales are protected by the first amendment.²

On August 14, 1980, the court conducted a bench trial of this case. At the close of the trial the court directed the parties to file post-trial briefs. The case was then submitted to the court for a decision on the merits on December 5, 1980.

¹On page 48 of its post-trial brief, Milky Way states that, in light of recent Fifth Circuit decisions, it decided to place primary emphasis on its fair use defense and chose not to press the first amendment aspects of the case further at that time. Pillsbury construes this statement as an abandonment of Milky Way's first amendment defense. While the court disagrees with Pillsbury's conclusion that Milky Way has dropped its first amendment defense, it need not reach this issue in light of its ruling that Milky Way's unauthorized use of the plaintiff's copyrights is protected by the fair use doctrine.

²In their post-trial brief, defendants MGT Corp. and Gateway Books, Inc. adopted the arguments contained in the brief filed by Milky Way. For ease of reference, the court will hereinafter refer to the defendants collectively as "Milky Way."

I. Preliminary Issues

A. *Personal Jurisdiction and Venue*

Before addressing the issues raised by the plaintiff's various claims, the court first must dispose of several preliminary matters discussed in the parties' post-trial briefs. While Pillsbury contends that Milky Way no longer contests the court's subject matter or personal jurisdiction, Milky Way vigorously reaffirms its objections to this court's order of November 30, 1978, denying its motion to dismiss for lack of personal jurisdiction or, in the alternative, for a change of venue to the Southern District of New York. To underscore their opposition, the defendants reargue many of the points the court discussed in that order. The court declines the invitation to reconsider these rulings. For the reasons stated in its previous orders, the court concludes that it has personal jurisdiction over Milky Way and that venue is properly laid in this district.

B. *Subject Matter Jurisdiction Over Claim Alleging Infringement of Cinnamon Roll Label Copyright*

The only challenge to the court's subject matter jurisdiction pertains to the plaintiff's allegation of infringement of its cinnamon roll label copyright. In its complaint, Pillsbury alleged only infringements of the copyrights it holds in its jingle and its plastic dolls, "Poppin' Fresh" and "Poppie Fresh." Discovery in the case, however, revealed that Milky Way did not actually copy the dolls. It commissioned an artist to sculpt three-dimensional plaster-of-paris replicas of the plaintiff's trade characters. As her model, the artist used the two dimensional rendition of the doughboy found on the label of a can of the plaintiff's cinnamon rolls. These labels eventually were registered in the Copyright Office, but not until after the Milky Way artist used one for this purpose. In briefing this issue, the plaintiff acknowledges the significance of this discovery; however, it never sought leave to amend its complaint to allege this infringement of its cinnamon roll label copyright. Nor did the plaintiff include this claim in its proposed findings of fact and conclusions of law. In its post-trial reply brief the plaintiff contends nonetheless that this claim is properly before the court. The defendants argue that the court lacks subject matter jurisdiction over this claim of copyright infringement because the plaintiff failed to register its copyright before commencing this suit.

The threshold issue, however, is whether the plaintiff has even alleged an infringement of its copyright in the cinnamon roll label. No such claim appears in the plaintiff's amended complaint or in the pre-trial order. The plaintiff contends that an amendment to its complaint was unnecessary because the defendants stipulated that "[t]he labels presenting Pillsbury's 'POPPIN FRESH' trade character have all borne a proper copyright notice * * *." and that the copyright on the cinnamon roll label "has been

duly registered in the Copyright Office by Certificate of Registration VA 46-937 dated March 11, 1980.” The plaintiff argues that pursuant to rule 15(b) of the Federal Rules of Civil Procedure, this stipulation serves as an amendment to the complaint. As authority for this proposition, the plaintiff refers the court to *Proctor v. Gissendan*, 579 F.2d 876 (5th Cir. 1978). In *Proctor*, the Fifth Circuit noted that a stipulation could operate as an express or implied amendment of the pleadings under rule 15(b) when neither party entered into the record any reservations or restrictions on the use or significance of the stipulation. *Id.* at 885 n.20; accord, *Sun-Fun Products, Inc. v. Suntan Research & Development Inc.*, 656 F.2d 186, 192 n. 7, 213 USPQ 91, 95 n. 7 (5th Cir. 1981); *Gibbs v. Randolph*, 250 F.2d 41, 42-43 (5th Cir. 1957); see *Streeter v. Hopper*, 618 F.2d 1178, 1180 (5th Cir. 1980). The defendants have not responded to this argument.³

While the court is not eager to overlook the plaintiff's failure either to request leave to amend its complaint or to obtain the express consent of the defendants to assert this claim, it nevertheless concludes that, by agreeing to the aforementioned stipulation, the defendants impliedly consented to amendment of the pleadings to include the plaintiff's claim of infringement of its cinnamon roll label copyright. In the stipulations approved by this court in the pretrial order, the defendants stipulated that the labels presenting Pillsbury's "Poppin' Fresh" trade character have all borne a proper copyright notice, that the copyright on the cinnamon roll label was duly registered in the Copyright Office by a certificate of registration dated March 11, 1980, that the plaster-of-paris characters were replicas of the plaintiff's trade character "Poppin' Fresh" as it appeared on a cinnamon bun roll label, and that the female was modeled after the male. The defendants did not restrict the use or significance of these stipulations, and the plaintiff's statement of the issues to be tried contained in attachment "C" to the pretrial order was broad enough to include a claim of infringement of the cinnamon roll label copyright. The court therefore concludes that the plaintiff adequately alleged a violation of the copyright in the cinnamon roll label.

[1] The defendants now contend, however, that the courts lack subject matter jurisdiction over this claim because, at the time this suit was commenced, the copyright in the cinnamon roll label had not been registered. That an infringement suit may not be instituted until the plaintiff registers its copyright is axiomatic. 17 U.S.C.A. § 13 (Copyright Act of 1909); 17 U.S.C.A. § 411(a) (current Copyright Act, effective January 1, 1978);

³In discussing the post-trial briefing schedule for this case, the court informed the parties that the plaintiff, through its reply brief, would have the last opportunity to address the issues raised in this case, unless the plaintiff included new matters in the reply. Although, in the court's opinion, this issue was raised for the first time in the plaintiff's reply brief, the defendants chose not to respond, and, therefore, the court does not have the benefit of the defendants' perspective on this question. The court assumes, however, that the defendants would strenuously oppose the belated assertion of this claim.

e.g., *Burns v. Rockwood Distributing Co.*, 481 F.Supp. 841-47, 209 USPQ 713 (N.D. Ill. 1979); *Frederick Fell Publishers, Inc. v. Lorayne*, 422 F. Supp. 808, 810-11, 199 USPQ 188, 189-191 (S.D.N.Y. 1976). See also *Washingtonian Publishing Co. v. Pearson*, 306 U.S. 30, 40 USPQ 190 (1939); 2 Nimmer on Copyright § 7.16[B][1] (1980).⁴ Having stated this legal principle, however, the court does not believe that the argument for its application in this case is so apparent. When this suit was commenced, the only claims of copyright infringement pertained to the plaintiff's jingle and its two dolls. The claim that the defendants also infringed the plaintiff's copyright in the cinnamon roll label was not alleged in the complaint but was included in the pretrial order approved by the court on August 14, 1980. At the time this claim was first asserted, then, the plaintiff had registered this copyright, thus fulfilling the jurisdictional prerequisites of the Copyright Act. Moreover, once these preconditions had been satisfied, the defect in the complaint could be cured by an amendment relating back to the time the plaintiff commenced this action. See *Frankel v. Stein and Day, Inc.*, 470 F. Supp. 209, 212 n.2, 205 USPQ 51 (S.D.N.Y. 1979), *aff'd w/out op.*, 646 F.2d 560 (1980); *Frederick Fell Publishers, Inc.*, 422 F. Supp. at 810-11, 199 USPQ 189-191. The court concludes that it has subject matter jurisdiction over the plaintiff's claim that the defendants infringed the plaintiff's federally registered copyright in the cinnamon roll label.

II. The Substance of the Plaintiff's Claims

A. Copyright Infringement

[2,3] To establish an infringement of its copyright, the plaintiff must show by a preponderance of the evidence that it owned the copyright in question and that the protected work was "copied" by the defendant. 3 Nimmer on Copyright § 13.01 (1980) (cited with approval in *Ferguson v. Nat'l Broadcasting Co.*, 584 F.2d 111, 113, 200 USPQ 65 (5th Cir. 1978)). In order to prevail on the latter issue, the plaintiff need not introduce direct evidence of copying. It may prevail by showing that the defendant had an opportunity to view the copyrighted work and that the defendant's work is substantially similar to the protected work or that the two works are so similar as to preclude the likelihood of independent creation. 3 Nimmer on Copyright §§ 13.01[B], 13.02, 13.03 (1980). See *Ferguson v. Nat'l Broadcasting Co.*, 584 F.2d 111, 113, 200 USPQ 65 (5th Cir. 1978); see also *Donald v. Zack Meyer's T.V. Sales and Service*, 426 F.2d 1027, 1029,

⁴Although registering a copyright is a necessary precedent to filing suit, it does not create the cause of action for copyright infringement. The cause of action exists at common law, but, under the Copyright Act, one cannot enforce his rights in the courts until he registers a copyright with the Copyright Office. Thus, one can bring an action for copyright infringement of a work which was not copyrighted at the time the alleged infringement took place.

165 USPQ 751, 752 (5th Cir. 1970), cert. denied, 400 U.S. 992, 168 USPQ 257 (1971); *Metro-Goldwyn-Mayer, Inc. v. Showcase Atlanta Cooperative Productions, Inc.*, 479 F.Supp. 351, 356, 203 USPQ 822, 825 (N.D. Ga. 1979), appeal docketed, No. 81-7817 (11th Cir. Oct. 13, 1981). Because direct evidence of copying is rarely available, the courts prefer not to handicap plaintiffs in infringement suits in this regard. Consequently, once the plaintiff proves substantial similarity, courts typically shift the burden to the defendant to rebut the inference of copying that arises from the plaintiff's showing. See 2 *Nimmer on Copyright*, § 13.01[B], at 13-5 (1980).

Milky Way argues that the plaintiff cannot prevail on its claim for infringement of its copyrights in the two dolls because the only evidence of copying contained in the record pertains to the plaintiff's cinnamon roll label. Conversely, the plaintiff argues that Milky Way's presentation infringed its copyright in the dolls, as well as in the cinnamon roll label, because both Mr. Goldstein, the originator of this idea and the editor of the magazine, and Ms. Moore, the artist who sculpted the plastic-of-paris replicas, acknowledged at their depositions that they were familiar with the two dimensional animated versions of these characters shown during the plaintiff's television advertisements.

In the pre-trial order, the parties stipulated that Ms. Moore used the "Poppin' Fresh" character from the Pillsbury cinnamon roll label as her model. At trial, there was no evidence presented and the plaintiff did not argue that Mr. Goldstein or Ms. Moore actually copied the dolls. To the contrary, the uncontradicted evidence in the record establishes that neither Mr. Goldstein or Ms. Moore has ever seen the copyrighted dolls.⁵

While normally the court could infer copying from the defendant's access to the protected work and substantial similarity between the protected work and the alleged infringing work,⁶ it cannot do so here where Pillsbury stipulated that the sculptor used the cinnamon roll label as her model. Pillsbury apparently overlooks that it must prove by a preponderance of the evidence that Milky Way *copied* the dolls. Pillsbury's argument that the defendants violated its copyright in the dolls because Mr. Goldstein and Ms. Moore acknowledged that they were familiar with the two dimensional animated versions of the Pillsbury trade characters as seen in the plaintiff's television commercials misses the mark. Pillsbury has not alleged copyright infringement of the individual com-

⁵At their depositions, both denied ever having seen the dolls before creating Milky Way's figures.

⁶Because the plaintiff's dolls are three-dimensional replicas of the original two dimensional trade characters displayed on many of the plaintiff's products, Milky Way's three-dimensional caricature of the "Poppin' Fresh" figure as it appeared on the cinnamon roll label is substantially similar to the plaintiff's dolls.

mercials in which “Poppin’ Fresh” appears,⁷ and its copyright on the dolls does not purport to cover the “Poppin’ Fresh” and “Poppie Fresh” trade characters in whatever form they appear. In light of the uncontradicted evidence in the record and Pillsbury’s stipulation that the sculptor used the cinnamon roll label for her model, the court finds that Pillsbury has failed to establish that Milky Way copied the dolls; the defendants’ general familiarity with the plaintiff’s trade characters in other forms is not an adequate substitute for this requirement. Accordingly, because the court finds that Milky Way did not in fact copy the dolls, it concludes that the defendants have successfully rebutted the inference of copying that arises from the plaintiff’s showing of substantial similarity.

[4, 5] As the court noted earlier, the plaintiff alleges that Milky Way’s unauthorized use of its trade characters “Poppin’ Fresh” and “Poppie Fresh” infringed its copyright on the cinnamon roll label. Because the defendants stipulated as to the validity of this copyright, the plaintiff has satisfied the first element of its burden, proof of ownership of the copyrights. The plaintiff has also sustained its burden of showing that Milky Way copied its protected work, for the defendants also stipulated that Milky Way intentionally copied the plaintiff’s trade character “Poppin’ Fresh” as it appeared on the cinnamon roll label. The fact that Milky Way borrowed only a portion of the copyrighted label, namely the trade character, does not preclude the court from finding that it infringed the plaintiff’s copyright in the label. *Miller Brewing Co. v. Carling O’Keefe Breweries, Ltd.*, 452 F.Supp. 429, 439–40, 199 USPQ 470, 479, 480 (W.D. N.Y. 1978). E.g., *Amana Refrigeration, Inc. v. Consumers Union of U.S., Inc.*, 431 F.Supp. 324, 195 USPQ 56 (N.D. Iowa 1977) (quote from copyrighted work). See *Tennessee Fabricating Co. v. Moultrie Manufacturing Co.*, 421 F.2d 279, 284, 164 USPQ 481, 484 (5th Cir.). cert. denied, 398 U.S. 928, 165 USPQ 609 (1970). The only remaining question is whether the plaster-of-paris replica of “Poppie Fresh” also infringed the plaintiff’s copyright in the cinnamon roll label. “Poppie Fresh” does not appear on the cinnamon roll label that Milky Way admits to copying. The court could conclude that Milky Way’s female plaster-of-paris figure is substantially similar to the “Poppin’ Fresh” trade character and thus constitute an additional infringement of the cinnamon roll label. Because finding an additional infringement of “Poppin’ Fresh” will not increase the

⁷In its post-trial brief, Pillsbury acknowledges that it could have registered, as unpublished works, the television commercials that Mr. Goldstein and Ms. Moore had seen and then charged that Milky Way’s presentation also infringed those copyrights. Pillsbury stated that it chose not to do so because of the impracticality of providing which of the hundreds of such commercials Mr. Goldstein and Ms. Moore viewed and because proving infringement of a dozen copyrights “would not get Pillsbury anything more than proving infringement of two of its copyrights.”

damages that the plaintiff may be entitled to recover, 17 U.S.C.A. § 412,⁸ the court declines to reach this issue.

The plaintiff's final allegation of copyright infringement concerns its jingle. The defendants stipulated that they used without authorization the plaintiff's entire jingle, which is the refrain of a two stanza song entitled "The Pillsbury Baking Song." In any event, the probability that Milky Way could have coined this jingle independently is too remote to rebut the inference arising naturally from the verbatim replication of the jingle in the Milky Way's presentation. Because the defendants also stipulated as to the validity of the copyright, the court concludes that the plaintiff has sustained its burden of proof on this claim.

Summarizing, the court concludes that the plaintiff has failed to sustain its burden of proof on its claim that Milky Way infringed its copyright in the "Poppin' Fresh" and "Poppie Fresh" dolls. The plaintiff, however, has demonstrated that Milky Way infringed its copyrights in the cinnamon roll label and in the jingle.

B. Fair Use Defense

[6] Milky Way contends that its use of the plaintiff's copyrighted jingle and label is protected by the "fair use" doctrine. In this regard, the defendants invite the court to decide whether their portrayal of these copyrighted works qualifies as a satire or a parody, but, on this record, the court is not inclined to tackle this issue. The court does not question the relevance of this dispute to the defendants' fair use defense: a parodist or satirist would be entitled to broader license in copying original works. But establishing that this infringement of the plaintiff's copyrights is protected by the fair use doctrine falls upon Milky Way. While requesting the court to characterize its portrayal as a satire or parody, Milky Way has not furnished the court with any basis for making this determination. As evidence taken in *Metro-Goldwyn-Mayer, Inc.*, vividly illustrates, these two words of art do not have a fixed definition even among accomplished literary critics. Although it is often called upon to judge the merits of written works, this court is not conversant with these literary concepts. Therefore, without some guidance other than an English handbook and some prior judicial decisions, the court refuses the defendant's invitation.

[7] This determination, however, does not dispose of the defendants' claim that the unauthorized use of the plaintiff's copyrights is protected by

⁸Under this section, plaintiffs cannot receive statutory damages or attorney's fees for infringements which occur after the work has been published but over three months before the copyright is registered. Because Pillsbury did not register the cinnamon roll label copyright until over three months after the alleged infringement, it can only be awarded actual damages for any breach thereof. Pillsbury's actual damages would be the same whether the court found one violation of the cinnamon roll label or two violations.

the fair use doctrine. The fair use defense, codified in 17 U.S.C.A. § 107, turns upon the following four factors:

- (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
- (2) the nature of the copyrighted work;
- (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- (4) the effect of the use upon the potential market for or value of the copyrighted work.

17 U.S.C.A. § 107; see *Triangle Publications, Inc. v. Knight-Ridder Newspapers, Inc.*, 626 F.2d 1171, 1174-75, 207 USPQ 977, 980-981 (5th Cir. 1980).

[8] In delineating these factors, Congress did not specify how much weight the court should accord to each, but the House and Senate reports indicate that the statute merely restates the common law doctrine of fair use. S. Rep. No. 473, 94th Cong., 1st Sess. 62 (1975); H.R. Rep. No. 1476, 94th Cong., 2d Sess. 66 (1976). Courts traditionally have placed the heaviest emphasis on what is the fourth statutory factor: whether the defendant's unauthorized use affects the potential market for the plaintiff's copyrighted work. E.G., *Triangle Publications, Inc.*, 626 F.2d at 1175, 1177, 207 USPQ at 981, 983. Because this factor is often determinative, the court will consider it first.

1. Effect on Market Value

Milky Way contends that the record is devoid of any evidence that the plaintiff has suffered any economic injury as a result of its unauthorized use of the copyrighted works. The court disagrees, but what evidence there is demonstrates that the actual or potential economic harm to the plaintiff is at most de minimis. See *Triangle Publications, Inc.*, 626 F.2d at 1177, 207 USPQ at 983.

To support the argument that it has sustained economic injury, the plaintiff refers the court to the parties' stipulations. The defendants conceded that the trade character "Poppin' Fresh" stands for "a quantum of goodwill of inestimable value" and that the jingle "has become well known to many millions of Americans who immediately associate it with the plaintiff." Upon this showing, Pillsbury insists that its copyrighted works have substantial commercial value.

[9] Milky Way does not contest this assertion, having essentially stipulated to the truth of this fact in the pretrial order. Evidence that the copyrighted works are valuable, however, supplies only part of the critical showing. Pillsbury must also show that the defendants' unauthorized use of the copyrighted works has affected or may affect their market value. See *Meeropol v. Nizer*, 560 F.2d 1061, 1070, 195 USPQ 273, 279 (2d Cir.

1977), cert. denied, 434 U.S. 1013 (1978); Encyclopedia Britannica Educational Corp. v. Crooks, 447 F.Supp. 243, 251, 197 USPQ 280, 286 (W.D.N.Y. 1978). In discussing this issue in its briefs, Pillsbury does not refer to what is probably the only evidence of potential economic harm in the record. The plaintiff received a letter from Mr. Charles L. Sipp, who, having seen Milky Way's portrayal of the plaintiff's characters and jingle, indicated that if the plaintiff condoned this use of its "brand name," he would "stop buying Pillsbury products * * * " and would do his best "to bring these practices before the public eye." Arguably, if enough consumers saw the presentation and shared Mr. Sipp's indignation, the plaintiff's business could suffer, and the value of its copyrighted works would depreciate.

[10] The inferences the court might now draw from this letter, however, were rebutted to a significant extent by the testimony of two of the plaintiff's executives, Thomas R. McBurney and Mr. Raymond T. Good. Mr. McBurney testified at trial and, during the defendant's cross-examination, stated that to his knowledge the plaintiff did not suffer any economic injury as a result of similar comical or parodical, but unauthorized, uses of or references to its trade characters by third parties. These unauthorized presentations appeared in magazines including the National Lampoon and Hustler, which both have a circulation larger than Screw. Mr. Good stated in a deposition which was admitted at trial that to his knowledge the plaintiff did not suffer any economic injury as a result of Milky's Way's presentation. Moreover, the unauthorized use challenged here occurred over two years ago. Other than the Sipp letter, the plaintiff has introduced no evidence of any depreciation in the value of its copyrighted works. As did the courts in Triangle Publications, Inc., 626 F.2d at 1177-78, 207 USPQ at 983-984, and Williams & Wilkins Co. v. United States, 487 F.2d 1345, 1359, 180 USPQ 49, 59 (Ct. Cl. 1973), aff'd by an equally divided court, 420 U.S. 376, 184 USPQ 705 (1975), the court finds it significant that the plaintiff has failed to introduce more than a sliver of evidence supporting its claim of economic harm. The court is not inclined to fill this void by presuming economic injury from the acknowledged commercial value of these works.

2. The Purpose and Character of the Use

[11] In Triangle Publications, Inc., the Fifth Circuit noted that "any commercial use tends to cut against a fair use defense." 626 F.2d at 1175. The plaintiff contends that Milky Way used its copyrighted works for a commercial use. It also maintains that Milky Way borrowed the copyrighted works with the intent of "besmirching the POPPIN' FRESH trade character." Milky Way, on the other hand, argues that its presentation is a spoof of the plaintiff's advertising campaign and its corporate image in general, a conclusion that the plaintiff strenuously opposes.

While the defendants' usage of the "Poppin' Fresh" trade character and Pillsbury's jingle by no means had a nonprofit educational purpose, the court is not persuaded that Milky Way's use of the plaintiff's copyrighted works is commercial in the sense suggested by the Fifth Circuit in *Triangle Publications, Inc.*, 626 F.2d at 1175-76, 207 USPQ at 981-982. After reviewing Milky Way's presentation, the court concludes that is more the nature of an editorial or social commentary than it is an attempt to capitalize financially on the plaintiff's original works.⁹ Although the portrayal is offensive to the court, the court has no doubt that Milky Way intended to make an editorial comment on the values epitomized by these trade characters. The fact that *Screw* magazine is offered for sale does not compel a contrary conclusion. Social commentary placed in a newspaper or magazine is not put to a commercial use simply because the publication is sold rather than given to the public. The presentation was located on the inside of the magazine, not on the cover where it might be taken more reasonable as an attempt to capitalize on the plaintiff's original work.

[12] The plaintiff suggests that, in addressing this factor, the court should consider the generally salacious content of *Screw* magazine. The plaintiff seems to believe that a pornographic adaptation of copyrighted works should be accorded less protection under the fair use doctrine than what might otherwise be granted a more continent presentation. The Copyright Act, however, does not expressly exclude pornographic materials from the parameters of the fair use defense, and the plaintiff offers no authority for this protection. The character of the unauthorized use is relevant, but, in the court's judgment, the fact that this use is pornographic in nature does not militate against a finding of fair use.¹⁰

⁹In this respect, this case is easily distinguishable from *MCA, Inc. v. Wilson*, No. 80-7776, 211 USPQ 577 (2d Cir. July 30, 1981) wherein the court affirmed the district court's determination that the defendants' performance of the song "Cunnilingus Champion of Company C" infringed the plaintiffs' copyright in the song "Boogie Woogie Bugle Boy." In that case, the court noted that the plaintiffs and defendants were competitors in the entertainment field and that both songs were performed on stage, sold as recordings, and sold in printed copies. On the basis of these facts, the court agreed with the district court's conclusion that the purpose and character of the defendants' use was for commercial gain. The court distinguished *Elsmere Music, Inc. v. National Broadcasting Co.*, 623 F.2d 252 (2d Cir. 1980), by stating that in *Elsmere* the trial court found that the defendant's song did not interfere with the marketability of the plaintiff's and that it did not have the effect of fulfilling the demand for the original. The court apparently felt that the converse was true in *MCA, Inc. v. Wilson*. In the present case, there is no evidence that the defendants' presentation interfered with the marketability of the plaintiff's advertisements or food products, and the defendants' presentation (which did not attempt to sell anything) could not have the effect of fulfilling the demand for the original.

¹⁰In *Mitchell Brothers Film Group v. Cinema Adult Theater* 604 F.2d 852, 203 USPQ 1041 (5th Cir. 1979), cert. denied, 445 U.S. 917 (1980), the Fifth Circuit addressed the question of whether an obscene work is entitled to protection under the Copyright Act. Concluding that the statute contained no explicit or implicit bar to copyrighting obscene materials, the court construed the statute as providing for the copyright of all creative works, obscene or non-

3. *The Nature of the Copyrighted Work*

The copyrighted works involved in this case were devoted to strictly commercial uses. There is no dispute that these works consist of original, imaginative elements created by or for the plaintiff, that the plaintiff has invested a considerable amount of money in establishing an enviable reputation for quality food products, and that the copyrighted works are responsible in no small measure for the instant recognition that the plaintiff enjoys among consumers.

4. *The Amount and Substantiality of the Use*

Citing cases such as *Walt Disney Productions v. Air Pirates*, 581 F.2d 751, 199 USPQ 769 (9th Cir. 1978), cert. denied, 439 U.S. 1132 (1979), and *MCA, Inc. v. Wilson*, 425 F.Supp. 443, 199 USPQ 166 (S.D.N.Y. 1976), the plaintiff contends that the defendant has copied more than was necessary to achieve the desired effect and that, therefore, the defendants' conduct is not protected under the fair use doctrine. In these cases, the courts surmised that any greater use of the protected works than was necessary to conjure up the original could not be justified under the fair use doctrine. E.g., *Air Pirates*, 581 F.2d at 756, 199 USPQ at 773; *Berlin v. E.C. Publications, Inc.*, 329 F.2d 541, 544-45, 141 USPQ 1, 3-4 (2d Cir.), cert. denied, 379 U.S. 822, 143 USPQ 464 (1964); *MCA, Inc.*, 425 F.Supp. at 452, 454, 199 USPQ at 174, 175. Also, the fact that subsection (3) of Section 107 refers to the "portion" of the protected work borrowed lends some support to the plaintiff's argument that taking an unduly large amount of the work can never be fair use. Cf. *Benny v. Loew's Inc.*, 239 F.2d 532, 536-37, 112 USPQ 11, 14-15 (9th Cir. 1956), aff'd by an equally divided court, 356 U.S. 43, 116 USPQ 479 (1958). The court would agree with *Milky Way* that each element of the plaintiff's copyrighted works it borrowed contributed to the overall effect of its portrayal. The court agrees with the plaintiff, however, that *Milky Way* used more of the copyrighted works than was necessary to suggest the original to its readers.

obscene. After holding that the Copyright Act, so construed, did not violate the Constitution, the court declined to create an obscenity defense to infringement actions involving immoral or obscene works, stating that it is "inappropriate for a court, in the absence of some guidance or authorization from the legislature, to interpose its moral views between an author and his willing audience." *Id.* at 861. If one assumes that *Milky Way's* portrayal containing Pillsbury's copyrights was immoral and/or obscene, this case presents the flip-side of the question presented in *Mitchell*: whether there is an "obscenity" exception to the fair use defense contained in the Copyright Act. For the reasons stated in *Mitchell*, the court concludes that there is not. Because the definition of obscenity varies from community to community and the applicability of the Copyright Act (including the fair use defense) does not, an obscenity exception to the fair use defense could fragment the uniform national standards of the Copyright Act. See *id.* at 858. Some commentators have argued that this would be unconstitutional. See *id.* n.10. If not unconstitutional, it would certainly be difficult to apply. See *id.* at n.11.

In our media-saturated society, it would be difficult to find anyone of television age that would not recognize the doughboy and the jingle. The extent that these works would have to be copied to remind viewers of the originals is difficult to estimate, but, given their widespread recognition, it would certainly be less than what Milky Way borrowed. See *Air Pirates*, 581 F.2d at 757-58, 199 USPQ at 774-775.

[13, 14] In the court's judgment, however, the fact that the defendants used more than was necessary to accomplish the desired effect does not foreclose a finding of fair use. Accord, *Williams & Wilkins Co. v. U.S.*, 487 F.2d at 1353 and n. 22, 180 USPQ at 54 and 58 n. 22. In this circuit all four factors must be considered together. *Triangle Publications, Inc.*, 626 F.2d at 1174-75, 207 USPQ at 980-981; accord, *Meeropol*, 560 F.2d at 1069-70, 195 USPQ at 278-279. Special emphasis, however, is placed on the fourth factor. The plaintiff's failure to show any appreciable harm to the potential market for or the value of its copyrighted works bears significantly upon the relative fairness of Milky Way's unauthorized use of these copyrighted works. There is no showing that Milky Way intended to fill the demand for the original or that its presentation had this effect. One of the principal purposes of the Copyright Act is to preserve the profit motive for creating original works. Under this Act, the author's or creator's investment in a work and the ability to capitalize on this investment are entitled to protection. The same Act, however, creates a safe harbor for infringing uses which in Congress' collective judgment serve too important a purpose to permit suppression. The court does not condone the manner in which Milky Way chose to assault the corporate citadel, but value judgments have no place in this analysis. The court concludes that Milky Way's use of the plaintiff's copyrighted works was protected under the fair use doctrine.

C. Trademark Infringement

In its complaint the plaintiff also alleges that Milky Way's presentation falsely suggests sponsorship by the plaintiff, thereby causing confusion and violating the Lanham Act, 15 U.S.C.A. § 1125(a). It contends that the defendants' presentation infringed its statutory and common law trademarks in the Pillsbury "barrelhead," in the trade characters "Poppin Fresh," in the jingle, and in the phrase "Poppin Fresh." The plaintiff's theory of liability runs as follows: by appropriating the plaintiff's marks almost in their entirety, the defendants have or may deceive consumers into believing that the plaintiff placed this "advertisement" in *Screw* magazine; assuming that these individuals find Milky Way's publication as repulsive as the plaintiff apparently does, they may think less of the plaintiff; because the plaintiff's marks and its commercial reputation are associated closely with its products, its business will suffer accordingly.

In opposing the plaintiff's allegations, the defendants do not challenge the validity of the plaintiff's trademarks. Milky Way stipulated that the plaintiff has used these marks to identify its goods for a long time and that the public associates these marks with the plaintiff's products. It argues, however, that as a matter of fact its isolated use of these marks in its publication is not likely to confuse consumers.

Whether the plaintiff seeks protection of a common law or federally registered trademark, the central question of fact is whether the defendants' use of a mark similar to the plaintiff's to identify its service or product is apt to cause confusion among ordinary consumers. *Armstrong Cook Co. v. World Carpets, Inc.*, 597 F.2d 496, 500, 203 USPQ 19, 23 (5th Cir.), cert. denied, 444 U.S. 932, 204 USPQ 608 (1979); see 15 U.S.C.A. § 1114(1). The burden of demonstrating by a preponderance of the evidence that confusion is likely rests with the plaintiff. In *Amstar Corp. v. Domino's Pizza, Inc.*, 615 F.2d 252, 205 USPQ 969 (5th Cir.), cert. denied, 449 U.S. 899, 208 USPQ 464 (1980), the Fifth Circuit listed seven factors to be considered in evaluating the plaintiff's claim of actual or likely confusion:

- (1) type of trademark
- (2) similarity of design
- (3) similarity of product
- (4) identity of retail outlets and purchasers
- (5) identity of advertising media utilized
- (6) defendant's intent
- (7) actual confusion

Id. at 259. Accord, *Sun-Fun Products, Inc. v. Suntan Research & Development, Inc.*, 656 F.2d 186, 189, 213 USPQ 91, 94 (5th Cir. 1981); *Miller v. Universal City Studios, Inc.*, 650 F.2d 1365, 212 USPQ 345 (5th Cir. 1981). The court will address each of these factors in turn.

1. Type of Trademark

The defendants do not challenge the validity of the plaintiff's registered trademarks. Indeed, they acknowledge that the plaintiff's marks are strong. The defendants stipulated that the plaintiff has used the word "Pillsbury" to identify its products at least since 1922, that the "Pillsbury barrelhead" is "one of the most famous, and most widely recognized, 'house marks' in the United States," and that these marks are federally registered. The defendants also stipulated that the "Poppin' Fresh" trade character is a "valuable trademark" for the plaintiff's goods and that this mark is also federally registered. On the basis of the evidence, the court concludes that through their use in connection with the sale of the plaintiff's products over a number of years the plaintiff's marks have become a distinctive, well-known designation for Pillsbury's goods.¹¹

The defendants, however, maintain that the strength of the plaintiff's marks nonetheless has been diluted by uncontested third-party uses similar to the one challenged by the plaintiff here. The parties stipulated that unauthorized renditions of the plaintiff's "Poppin' Fresh" trade character have appeared in *National Lampoon* and *Hustler*, both of which have circulations greater than *Milky Way's* publication, and on a television broadcast seen by approximately 317,000 people. The plaintiff has not voiced its objections, if any, to any of these uses. The defendants argue that, because of its failure to police its mark in the past, the plaintiff should be estopped from doing so now.

[15, 16] The court, however, does not believe that the defendants have satisfied all the elements necessary to invoke the estoppel doctrine. See *Metro-Goldwyn-Mayer, Inc.*, 479 F. Supp. at 362, 203 USPQ at 830. And as the plaintiff points out, the failure to contest all infringing uses does not preclude the plaintiff from challenging the defendants' unauthorized use. See *McNeil Laboratories, Inc. v. American Home Products, Corp.*, 416 F. Supp. 804, 808, 193 USPQ 486, 490 (D.N.J. 1976). Uncontested third-party uses, however, may dilute the strength of the plaintiff's mark and limit the scope of the protection to which these marks are entitled. *Amstar Corp.*, 615 F.2d at 259-60, 205 USPQ at 975. These same uses also weigh against the plaintiff's claim that the defendants' allegedly infringing use is likely to injure the plaintiff's commercial reputation.

2. Similarity of Design

In discussing the plaintiff's claims of copyright infringement, the court noted that *Milky Way* intentionally borrowed the plaintiff's marks almost in their entirety. *Milky Way* intended that its renditions of the plaintiff's marks be similar in their design to the originals.

3. Similarity of Product

[17] The plaintiff is in the business of manufacturing, advertising, distributing, and selling a variety of food products. *Milky Way* is the publisher of a pornographic magazine. The bookstores are vendors of magazines and books. The parties' products are not even remotely similar.

¹¹Even had these marks not been federally registered—and therefore not entitled to a presumption of validity, see *The Vision Center v. Opticks, Inc.*, 596 F.2d 111, 119, 202 USPQ 333, 341 (5th Cir. 1979); *Lanham Act* §§ 7(b), 22, 33(a), 15 U.S.C.A. §§ 1057(b), 1072, 1115(a)—these marks would still be protected because, through the plaintiff's efforts, they have acquired secondary meaning as the source and identity of the plaintiff's products. See *Aloe Creme Laboratories, Inc. v. Milsan, Inc.*, 423 F.2d 845, 849, 165 USPQ 37, 40 (5th Cir.), cert. denied, 398 U.S. 928, 165 USPQ 609 (1970).

4. Identity of Retail Outlets and Purchasers

The parties' respective retail outlets are also distinct. The purchasers of the two parties' products may overlap, but there is no evidence to establish this as a matter of fact.

5. Identity of Advertising Media

The plaintiff advertises extensively on television and in print. The record does not disclose how or to what extent Milky Way advertises its magazine.

6. Defendant's Intent

In discussing its claim of copyright infringement, the plaintiff accuses the defendants of intentionally besmirching the commercial reputation of its doughboy. The basis for this accusation is a statement made by Mr. Goldstein during his deposition that he intended to "have a good time and make fun of" the plaintiff's doughboy. Conceding that he intended to make light of the doughboy, however, is not tantamount to admitting that he used the plaintiff's marks for the purpose of intentionally deceiving the public or deriving some monetary benefit at the plaintiff's expense. Milky Way admits that the similarity between its portrayal and the plaintiff's marks is no mistake, but there is no evidence that in borrowing these marks the defendants intended "to confuse, mislead, or deceive the public." *Amstar Corp.*, 615 F.2d at 263, 205 USPQ at 978.

7. Actual Confusion

[18] The best evidence of a likelihood of confusion is proof of actual confusion. *Roto-Rooter Corp. v. O'Neal*, 513 F.2d 44, 45-46, 186 USPQ 73-74 (5th Cir. 1975). The plaintiff contends that the letter written by Mr. Sipp is evidence that consumers were actually confused as to the source or sponsorship of Milky Way's portrayal of the plaintiff's marks. Upon review of this letter, however the court is not convinced that Mr. Sipp thought that Pillsbury had sponsored this picture as an advertisement. On the contrary, the letter read as a whole indicates that Mr. Sipp did not believe that the plaintiff placed this ad; he rather wrote the plaintiff to find out if it intended to take any action against Screw magazine.

[19] Even assuming, however, that Mr. Sipp thought that the plaintiff sponsored this presentation, the court does not believe that this single instance of actual confusion is sufficient to support a finding of a likelihood of confusion. The plaintiff seems to believe that any evidence of actual confusion, no matter how slight, will sustain its burden of showing a likelihood of confusion. The plaintiff is in error. Evidence of actual confusion, although the most probative on this issue, is but one of the factors the court considers in assessing the plaintiff's claim of infringement. More important, evidence of occasional, isolated instances of confusion is insuffi-

cient to sustain a finding of a likelihood of confusion when given the similarities between the plaintiff's mark and the alleged infringer's mark, the duration of their concurrent use, and the total volume of sales under both marks, it would be reasonable to expect that if the plaintiff's allegations were true, more instances of confusion would have been reported. *Amstar Corp.*, 615 F.2d at 263, 205 USPQ at 978. The court finds it significant that several years after Milky Way's presentation was published the only evidence of any confusion whatsoever by consumers is the Sipp letter.

8. *Summary*

Weighing all seven factors, the court concludes that the plaintiff has failed to show a likelihood of confusion by a preponderance of the evidence. The plaintiff's trademarks are strong as a result of its concerted efforts to cultivate a respectable commercial reputation. The parties' products and retail outlets, however, are substantially dissimilar, and while the purchasers of the two products may overlap, there is scant evidence that ordinary consumers attributed sponsorship of Milky Way's pictorial presentation to the plaintiff.¹² This lack of actual confusion is significant in light of the striking similarity in design. Finally, the defendants did not intentionally deceive the public in order to derive monetary benefit at the plaintiff's expense. For all the foregoing reasons, the court concludes that the plaintiff has failed to sustain its burden of proof on its claims of trademark infringement.

D. *Georgia Uniform Deceptive Trade Practices Act*

The plaintiff alleges that Milky Way's unauthorized use of the plaintiff's barrelhead trademark, the slogan "Poppin' Fresh," the trade characters, and the jingle violates subsections (2), (3), and (5) of Georgia's enactment of the Uniform Deceptive Trade Practices Act, Ga. Code Ann. § 106-702. The parties agree that under this Act, the plaintiff must prove a likelihood of confusion between the parties' products. See *Amstar Corp.*, 615 F.2d at 265, 205 USPQ at 980; *Baker Realty Co. v. Baker*, 228 Ga. 766, 770, 174 USPQ 36 (1972). In disposing of the plaintiff's claims of trademark infringement, the court has already determined that the plaintiff has failed to show a likelihood of confusion. For this reason, its claim under this state statute must also fail.

¹²Indeed, the supposed "advertisement" does not promote any product whatsoever, while the evidence presented by the plaintiff shows that these marks have been used only in conjunction with the advertisement for sale of its food products. Moreover, the defendants' presentation was placed inside the magazine, so it is unlikely that, given the limited circulation of *Screw* magazine, the majority of the plaintiff's customers would even be exposed to this photograph.

E. Georgia "anti-dilution" Statute

The plaintiff alleges that in violation of Ga. Code Ann. § 106-115, Milky Way's unauthorized use of its barrelhead trademark, the words "Poppin' Fresh," its trade characters, and its jingle creates a likelihood of injury to its commercial reputation and of dilution of the distinctive quality of its trademarks, trade symbols, or advertising. The plaintiff contends that Milky Way has tarnished the reputation, and thereby impaired the effectiveness, of its advertising agents by placing them in a "depraved context."

[20] Milky Way rests its defense against this claim upon an erroneous conception of the anti-dilution statute, namely that the plaintiff must prove a likelihood of confusion to prevail on this count. The court previously has concluded that the plaintiff has failed to show a likelihood of confusion, but as the statute plainly states, actionable dilution occurs when by subsequent unauthorized use of the plaintiff's marks, the uniqueness of the plaintiff's marks as the designation for its products is diminished by the defendant's unauthorized use of these marks, "notwithstanding the absence of competition between the parties or of confusion as to the source of goods or services." Ga. Code Ann. § 106-115; see *Holiday Inns, Inc. v. Holiday Out in America*, 481 F.2d 445, 450, 178 USPQ 257, 260 (5th Cir. 1973); *Dolphin Homes Corp. v. Tocomc Development Corp.*, 223 Ga. 455, 458, 155 USPQ 543 (1967). The basis for this cause of action is the belief that the owner of these marks should not have to stand by and watch the diminution in their value as a result of unauthorized uses by others. All the plaintiff need show to prevail is that the contested use is likely to injure its commercial reputation or dilute the distinctive quality of its marks. See *Robert B. Vance & Associates v. Baronet Corp.*, 487 F.Supp. 790, 798, 205 USPQ 24 (N.D. Ga. 1979). The court concludes that, despite the lack of actual damages, there is a likelihood that the defendants' presentation could injure the business reputation of the plaintiff or dilute the distinctive quality of its trademarks. Consequently, the court concludes that the plaintiff has prevailed on this claim and is entitled to injunctive relief provided in section 106-115 of the Georgia Code.

F. Tortious Tarnishment

The plaintiff alleges as a separate cause of action a heretofore unheard of common law tort, tarnishment of trade characters. According to the plaintiff, this tort is committed when "the defendant has so altered the image of plaintiff's trade character [sic] (one of which is Pillsbury's corporate spokesman) as to make them distasteful or even repulsive to a significant segment of Pillsbury's customer." The plaintiff adds that in christening this tort the court will only be giving an official name to a species of tort that other courts have recognized previously.

The court, however, is at a loss to discern any of this ready-made precedent. The cases cited by the plaintiff in its briefs do not contain any

reference to such a tort, and, after an independent search, the court was unable to locate the supposedly pre-existing foundation for this cause of action. Nor is the court inclined to accept the plaintiff's invitation to plant this first seed. Aside from the many theoretical and practical problems inherent in this undertaking, ones which the plaintiff does not begin to address, in the court's judgment any wrong done to the plaintiff's commercial reputation can be redressed adequately by existing statutory and common law causes of action. Indeed, many of these already overlap. In short, the court is not persuaded that a separate common law cause of action is needed to protect the reputation of a trade character. The court concludes that the plaintiff has failed to state a claim for tortious tarnishment of its trade characters.

G. Libel Per Se

The plaintiff alleges that under Georgia law, Ga. Code Ann. §§ 105-701, -703, the statement appearing in Mr. Goldstein's editorial column in the May 1, 1978 issue of *Screw* that Mr. Winston Wallin, the president of Pillsbury, is "syph-laden" is libelous per se as to the company. The court sees little reason to discuss this allegation in great detail. This court has previously held that a corporation cannot be defamed by a personal reference to a company officer. *Southard v. Forbes, Inc.*, No. C74-1984A, slip op. at 3-4 (N.D. Ga. Sept. 20, 1977), aff'd on other grounds, 588 F.2d 140 (5th Cir. 1978), cert. denied, 444 U.S. 832 (1979). The plaintiff entreats the court to reconsider this ruling in light of the authorities it cites in its brief. The court has reviewed these decisions, but it does not feel that its ruling in *Southard* is inconsistent with the conclusion reached by these other courts. The court concludes that the plaintiff cannot recover for the alleged libel of one of its officers.

H. Contempt

The plaintiff contends that Milky Way¹³ violated the temporary restraining order and thereby is in contempt of court. On April 21, 1978, after hearing oral arguments on the question whether the plaintiff was likely to prevail on the merits of this action, the court modified its temporary restraining order of April 17, 1978, "to more clearly define the scope of the court's restraint against the defendant." It temporarily restrained Milky Way from reproducing or republishing the "claimed advertisement" that appeared in the two issues of *Screw* magazine or "any similar reproduction thereof which purports to be an advertisement of the plaintiff."

In the May 1, 1978 issue of *Screw*, Milky Way reprinted in miniature, this same original picture as it had been reproduced in an article in the *Village Voice* about the law suit brought by Pillsbury. Alongside this *Village Voice* clipping is a portion of the contested presentation showing

¹³This claim is against Milky Way only and does not include the defendant bookstores.

the plaintiff's trade characters coupling but the head of Pillsbury's president Winston Wallin transposed onto the doughboy's body.

Milky Way insists that this order did not proscribe this reproduction of the picture. It emphasizes that the picture appears under an editorial about the lawsuit and was taken from an article appearing in the Village Voice and that this reproduction is considerably smaller than the original. smaller than the original.

The court cannot agree. Milky Way seems to believe that this order prohibited only the publication or reproduction of a picture which purports to be an advertisement of the plaintiff. The court, however, does not believe that the scope of this restraining order is so narrow. In the first sentence of this order the court prohibited Milky Way from reproducing or republishing this presentation. The court feels that, read fairly, this language applies to any reproduction of this picture by Milky Way during the prescribed term of this order, irrespective of the size of the reproduction.

The court modified the more expansive language of its first restraining order so as not to interfere with Milky Way's first amendment right to comment on this lawsuit. Milky Way is well within its rights to reprint in *Screw* what other publications or individuals have to say about its dispute with Pillsbury, but the court does not feel that this reprint from the Village Voice falls within this preserve. As reproduced in the *Screw* editorial, the only legible portion of the Village Voice article is the picture; the nameplate covers the text of the article, so that no one would be able to read this comment. Under the circumstances, the court concludes that this reproduction of the picture is in violation of the terms of this temporary restraining order and that, therefore, the defendant is in contempt of court.

III. Conclusion

In sum, the court concludes that (1) the court has personal jurisdiction over the defendants, (2) that venue is properly laid in this district, (3) that the court has subject matter jurisdiction over Pillsbury's claim alleging infringement of the cinnamon roll label copyright, (4) that the plaintiff cannot prevail on its claim that the defendants infringed its copyrights in the "Poppin' Fresh" and "Poppie Fresh" dolls, (5) that the plaintiff has sustained its burden on its claim that the defendants infringed its copyright on the cinnamon roll label, (6) that the plaintiff has sustained its burden on its claim that the defendants infringed its copyright on its jingle, the two stanza refrain of "The Pillsbury Baking Song", (7) that the defendants' unauthorized use of the plaintiff's copyrights is protected by the "fair use" doctrine codified in 17 U.S.C.A. § 107, (8) that the plaintiff failed to sustain its burden of proof on its claims of trademark infringement, (9) that

the plaintiff failed to sustain its burden of proof on its claim that the defendants violated the Uniform Deceptive Trade Practices Act, (10) that the plaintiff has sustained its burden of proof on its claim that the defendants violated the Georgia "anti-dilution" statute, (11) that the plaintiff has failed to state a claim for tortious tarnishment of its trade characters, (12) that the plaintiff cannot recover for the alleged libel of one of its officers, and (13) that the defendant Milky Way is in contempt of court for violating this court's temporary restraining order entered April 21, 1978.

In light of the above rulings, the court concludes that a hearing would be appropriate in order to allow the parties to present argument on any and all issues concerning the final relief to be entered in the action. In lieu of a hearing, the parties are invited to confer and present the court with a proposed consent order concluding the matter. If the parties are unable to reach agreement on a proposed consent order, the court will hold a hearing at 10:00 a.m., January 21, 1982. In room 1906, United States Courthouse, 75 Spring Street, S.W., Atlanta, Georgia, 30303. The parties are hereby directed either to present a proposed consent order prior to January 21, 1982 or to appear before the court at 10:00 a.m. on that date for a hearing on the final relief to be entered in the same action.

IT IS SO ORDERED.

POWER LAWN MOWER PARTS, INC. v. LAWN MOWER PARTS, INC., et al.

No. Civ-81-67B

(United States District Court, W. D. New York—Decided August 27, 1981)

217 USPQ 636

Action by Power Lawn Mower Parts, Inc., against Lawn Mower Parts, Inc., also or formerly known as LMP, Inc., Anthony D. Priore, Lucy O'Neal Priore, and Patrick Faltico, for copyright infringement. On plaintiff's motion for preliminary injunction. Motion granted in part.

COPYRIGHTS

1. Injunction—Preliminary injunction

Copyright holder may be presumed to suffer irreparable injury when copyright is infringed; plaintiff in copyright case who establishes prima facie case of infringement need not make detailed showing of irreparable injury.

2. Title—Assignment and license

Copyright holder may license another party to use copyrighted material; licensee must use material in accordance with terms of license; accused infringers bear burden of proving that their use of infringing material was authorized by copyright holder.

3. Injunction—Copyrights

During pendency of action for copyright infringement, court may at any time order impounding on such terms as it may deem reasonable, of all copies claimed to have been made or used in violation of copyright owner's exclusive rights; statute, 17 USC 503(a), is not by its terms mandatory, but merely grants court power to order impoundment.

Martin Lee Kacher, Rochester, N.Y., for plaintiff.

James S. Cottingham, Kansas City, Mo., for defendants.

ELFVIN, *District Judge*. Plaintiff is a New York corporation engaged in the manufacture and sale of replacement parts for lawn mowers. The corporate defendant is a Missouri corporation which also markets lawn mower parts. Plaintiff seeks to enjoin defendants' alleged use of certain material upon which it holds a copyright and to recover damages resulting from such use. The individual defendants are alleged to have contributed to the corporation's copyright infringement. Plaintiff has moved for a preliminary injunction.

As part of its marketing efforts, plaintiff developed a catalog entitled "Power Lawn Mower Parts, Inc., 1980 Full Line Catalog." The catalog contains drawings of lawn mower parts and bears a notice of copyright. A Certificate of Copyright Registration has been issued with respect to the catalog.

Throughout the spring and summer of 1980, plaintiff sold lawn mower parts to a corporation known as LMP, Inc. LMP is now defunct, but it maintained an office at 16400 East Truman Road, Independence, Missouri, which is the same address as the principal place of business maintained by Lawn Mower Parts, Inc., the corporate defendant in this action. Anthony D. Priore, one of the individual defendants, is President of Lawn Mower Parts, Inc. and was President of LMP, Inc. Lawn Mower Parts, Inc. was incorporated in April, 1980 but denies that it is a successor corporation to LMP. LMP has failed to pay invoices issued by plaintiff for parts sold to it.

Eugene Rosenbaum, plaintiff's President, visited LMP's office April 8th and 9th, 1980. Rosenbaum met with Priore, Guy Zabor (Vice President of Lawn Mower Parts, Inc. and former Director of Purchasing for LMP, Inc.) and one Gene Baker to discuss the sale of parts from plaintiff to LMP. During said meetings, Rosenbaum orally granted permission to LMP to use copyrighted material contained in plaintiff's catalog in a catalog which LMP was developing. Rosenbaum's affidavit in support of plaintiff's motion for a preliminary injunction states that such permission was limited to those items which were purchased from plaintiff and paid

for by LMP. A follow-up letter from Rosenbaum to Priore dated April 16, 1981, also evidences plaintiff's willingness to permit LMP to use the copyrighted material.¹ Lawn Mower Parts, Inc. subsequently published a catalog entitled "Full Line Cat. No. 801." This catalog contains reproductions of numerous drawings contained in plaintiff's catalog.

Plaintiff's motion for a preliminary injunction seeks three forms of relief. First, plaintiff asks that defendants be restrained from infringing plaintiff's copyright by distributing the "Full Line Cat. No. 801" or any other catalog, book or pamphlet which contains infringing material. Second, plaintiff seeks an order requiring defendants to deliver all copies of said catalog and all plates or materials used in printing the catalog to the court for impoundment. Finally, plaintiff requests that defendants be compelled to deliver to it any purchase orders for lawn mower parts depicted in the infringing material so that plaintiff may, if it elects, accept and execute such orders. I have concluded that plaintiff's motion for a preliminary injunction should be granted but that the relief must be limited.

[1] A preliminary injunction may be issued upon a showing of possible irreparable injury and either (1) probable success on the merits or (2) sufficiently serious questions going to the merits to make them a fair ground for litigation and a balance of hardships tipping decidedly in favor of the party seeking relief. *Caulfield v. Board of Ed. of City of New York*, 538 F.2d 605, 610 (2d Cir. 1978). The threshold inquiry on a motion for a preliminary injunction is the possibility of irreparable injury. However, a copyright holder may be presumed to suffer irreparable injury when the copyright is infringed. *American Metropolitan Ent. of N.Y. v. Warner Bros. Records*, 389 F.2d 903, 905, 157 USPQ 69, 70 (2d Cir. 1968). Thus, if the plaintiff in a copyright case establishes a prima facie case of infringement, he need not make a detailed showing of irreparable injury. *Wainwright Sec. v. Wall Street Transcript Corp.*, 558 F.2d 91, 94, 194 USPQ 401, 402-03 (2d Cir. 1977), cert. denied 434 U.S. 1014, 196 USPQ 864 (1978); *Rushton v. Vitale*, 218 F.2d 434, 436, 104 USPQ 158, 159 (2d Cir. 1955); *Dollcraft Industries, Ltd. v. Well-Made Toy Mfg.*, 479 F.Supp. 1105, 1113, 201 USPQ 708, 715 (E.D.N.Y. 1978).

Defendants do not contest plaintiff's allegation that Lawn Mower Parts, Inc.'s catalog incorporates material on which plaintiff holds a copyright. However, they argue that plaintiff consented to such use of the copyrighted material. Rosenbaum's affidavit in support of plaintiff's motion

¹ Rosenbaum's letter reads in part as follows: "As per my discussion with you in your office April 8th, I promised to put together a quote for your evaluation of the fastest turn items and other items that you and Guy Zabor have shown interest in. You also mentioned that you would be putting together your new catalog for the G.I.A. show in September.* * * "After you have had a chance to review this, please advise me what items you will be purchasing from me and I will furnish prints for only these parts.* * * "

suggests that permission to use the copyrighted material was granted to LMP, but not to Lawn Mower Parts, Inc. Affidavits submitted by Priore and Zabor in opposition to the motion assert that in granting permission to use the copyrighted material Rosenbaum made no distinction between LMP and Lawn Mower Parts, Inc. Although defendants' position is somewhat inconsistent with their claim that Lawn Mower Parts, Inc. is not a successor to LMP, I assume *arguendo* that defendants have raised a substantial question whether Lawn Mower Parts, Inc. was granted permission to use the copyrighted material. Nevertheless, I conclude that plaintiff has made a *prima facie* showing of infringement.

[2] A copyright holder may, of course, license another party to use copyrighted material. See, e.g. *Key Maps, Inc. v. Pruitt*, 470 F.Supp. 33, 38-9, 203 USPQ 282, 285-86 (S.D.Tex. 1978). The licensee must use the material in accordance with the terms of the license. See, e.g., *Gilliam v. American Broadcasting Companies, Inc.*, 538 F.2d 14, 20, 192 USPQ 1, 5 (2d Cir. 1976); *Hampton v. Paramount Pictures Corporation*, 279 F.2d 100, 103, 125 USPQ 623, 624-25 (9th Cir.), cert. denied 364 U.S. 882, 127 USPQ 555 (1960). Defendants bear the burden of proving that their use of the infringing material was authorized by plaintiff. *American Intern. Pictures, Inc. v. Foreman*, 576 F.2d 661, 665, 198 USPQ 580, 583 (5th Cir. 1978); *Schellberg v. Empringham*, 36 F.2d 991, 995 (S.D.N.Y. 1929).

Rosenbaum's affidavit in support of plaintiff's motion states that permission to use the copyrighted material was granted solely in connection with the resale of parts which were purchased from plaintiff and paid for by LMP. Rosenbaum's letter dated April 16, 1981 to Priore also indicates that permission to use the copyrighted material was conditioned in such manner. The letter states in part, "* * * please advise me what items you will be purchasing from me and *I will furnish prints for only those parts.*" (Emphasis added.) If (as defendants maintain) Lawn Mower Parts, Inc. had the same license to use plaintiff's copyrighted material as LMP had, Lawn Mower Parts, Inc.'s rights were limited to the same extent as were LMP's. Defendants have made no showing that Lawn Mower Parts, Inc. has complied with the conditions imposed by plaintiff on the use of the copyrighted material. Accordingly, even if Lawn Mower Parts, Inc. was granted a license to use the copyrighted material (a position which I find somewhat untenable), defendants appear to have breached the terms of the license. I therefore find it unlikely that defendants can sustain their burden of proving that their use of the copyrighted material was authorized.

Thus, I conclude that plaintiff has demonstrated that it will probably succeed on the merits. I also conclude that Rosenbaum's affidavit sufficiently establishes the possibility of irreparable harm that plaintiff is entitled to preliminary relief.

[3] I therefore turn to a consideration of the specific relief sought by plaintiffs. During the pendency of an action for copyright infringement, the court may “at any time * * * order the impounding, on such terms as it may deem reasonable, of all copies * * * claimed to have been made or used in violation of the copyright owner’s exclusive rights * * * ” 17 U.S.C. § 503(a). The statute is not by its terms mandatory, but merely grants the court power to order impoundment. Although plaintiff has requested that defendants be ordered to deliver all copies of the “Full Line Cat. No. 801” for impoundment, it has made no showing that an order prohibiting defendants from utilizing the infringing catalog will not be sufficient to protect it. See, e.g., *National Research Bur., Inc. v. Kucker*, 481 F.Supp. 612, 615-6, 204 USPQ 938, 940 (S.D.N.Y. 1979). Moreover, to the extent that plaintiff seeks to force defendants to deliver plates and materials used to prepare the catalog, impoundment is not an available remedy. *Id.*, at 615; *Markham v. A. E. Borden Co.*, 108 F.Supp. 695, 709, 95 USPQ 313, 324-25 (D.Mass. 1952), *rev’d on other grounds* 206 F.2d 199, 98 USPQ 346 (1st Cir. 1953).

Plaintiff has also requested that defendants be required to deliver to it purchase orders relating to the infringing materials. Inasmuch as defendants may, however, be forced to account for profits attributable to the infringing material, *National Research Bur., Inc., v. Kucker*, *supra*, at 615, 204 USPQ at 940, it is unnecessary to force defendants to turn over purchase orders.

Based on the foregoing discussion, plaintiff’s motion for a preliminary injunction is hereby ORDERED granted to the extent that plaintiff seeks to prevent defendant from utilizing the infringing materials but is denied in all other respects. It is further ORDERED that defendants, their agents, officers and employees are enjoined from infringing plaintiff’s copyright on its “1980 Full Line Catalog” by distributing, selling, marketing, printing or otherwise utilizing Lawn Mower Parts, Inc.’s “Full Line Cat. No. 801,” or any other catalog, pamphlet, bulletin or advertisement containing material which infringes said copyright.

ESTATE of Elvis PRESLEY, Plaintiff, v. Rob RUSSEN, d/b/a The Big El Show, Defendant

Civ. A. No. 80-0951

(United States District Court, D. New Jersey—April 16, 1981)

513 F.Supp. 1339. 211 USPQ 415

[See also *Factors Etc., Inc. v. Creative Card Co.*, 444 F.Supp. 279, 41 C.O.Bull. 242 (S.D.N.Y., Oct. 12, 1977); *Factors Etc., Inc. v. Pro Arts, Inc.*, 444 F.Supp. 288, 41 C.O.Bull. 256 (S.D.N.Y., Oct. 13, 1977); *Memphis Development Foundation v. Factors Etc., Inc.*, 441 F.Supp. 1323, 41 C.O.Bull. 574 (W.D. Tenn., Dec. 5, 1977); *Factors Etc., Inc. v. Pro Arts, Inc.*, 579 F.2d 215, 205 USPQ 751, 42 C.O.Bull. 258 (2d Cir.—*Affirmed; remanded for further proceedings*, June 27, 1978); *Memphis Development Foundation v. Factors Etc., Inc.*, 578 F.2d 1381 (6th Cir.—*Affirmed without published opinion*, June 29, 1978); *Pro Arts, Inc. v. Factors Etc., Inc.*, 440 U.S. 908, 99 S.Ct. 1215, 59 L.Ed.2d 455 (U.S. Sup. Ct.—*Certiorari denied*, Feb. 21, 1979); *Memphis Development Foundation v. Factors Etc., Inc.*, 616 F.2d 956, 205 USPQ 784, 44 C.O.Bull. 656 (6th Cir.—*Reversed and remanded*, Mar. 6, 1980); *Factors Etc., Inc. v. Pro Arts, Inc.*, 496 F.Supp. 1090, 208 USPQ 529, 44 C.O.Bull. 388 (S.D.N.Y., July 29, 1980); *Factors Etc., Inc. v. Memphis Development Foundation*, 449 U.S. 953, 101 S.Ct. 358, 66 L.Ed.2d 217 (U.S. Sup. Ct.—*Certiorari denied*, Nov. 3, 1980); *Factors Etc., Inc. v. Pro Arts, Inc.*, 652 F.2d 278, 211 USPQ 1, and *supra* (2d Cir.—*Reversed*, June 29, 1981); 456 U.S. 927, 102 S.Ct. 1973, 72 L.Ed.2d 442 (U.S. Sup. Ct.—*Certiorari denied*, Apr. 19, 1982); 541 F.Supp. 231, 46 C.O.Bull. 542 (S.D.N.Y., May 11, 1982); 701 F.2d 11, 47 C.O.Bull. — (2d Cir.—*Motion to recall mandate and petition for rehearing denied*, Jan. 12, 1983); 562 F.Supp. 304, 47 C.O.Bull. — (S.D.N.Y., Apr. 14, 1983)]

Estate of deceased singer brought suit alleging violation of Lanham Act, common-law unfair competition, common-law trademark infringement and infringement of right of publicity and moved for preliminary injunction. The District Court, Brotman, J., held that: (1) the estate had standing to bring the action where it had economic interest in protection of future ability to generate income from property rights associated with singer's entertainment services; (2) estate demonstrated likelihood of success on merits of its right of publicity claim with respect to defendant's live stage production in which singer was imitated and also likelihood of success as to defendant's unauthorized use of singer's likeness on cover or label of records or pendants sold or distributed by defendant; (3) evidence was sufficient to establish that estate still owned and properly used the trademarks; (4) death of singer did not preclude finding that defendant's theatrical presentation was infringing; and (5) record established that hardship caused defendant by complying with preliminary injunction would

not outweigh harm to estate resulting from failure to grant preliminary injunction and that public interest favored granting preliminary relief.

Order accordingly.

1. Federal Civil Procedure

Decedent's estate had standing to bring action based on defendant's using image or likeness of deceased singer or names associated with him in rendering musical services, where estate had economic interest in protection of future ability to generate income from property rights associated with singer's entertainment services. Lanham Trade-Mark Act, §§ 39, 43(a), 15 U.S.C.A. §§ 1121, 1125(a).

2. Assignments

"Assignment" is transfer of whole of interest in right.

See publication Words and Phrases for other judicial constructions and definitions.

3. Licenses

In license, owner retains legal ownership of the property.

4. Trade Regulation

Laches generally is not a bar to injunctive relief against unfair competition and the equitable defense of acquiescence, as distinguished from laches, is ground for denial of relief only upon finding of conduct on plaintiff's part that amounted to assurance to defendant, express or implied, that plaintiff would not assert his trademark rights against defendant. Lanham Trade-Mark Act, §§ 39, 43(a), 15 U.S.C.A. §§ 1121, 1125(a).

5. Injunction

In deceased singer's estate's action based on violation of Lanham Trade-Mark Act, common-law unfair competition, common-law trade-mark infringement and infringement of right of publicity, wherein plaintiff moved for preliminary injunction restraining defendant from using image or likeness or persona of decedent, or any equivalent, in offering or rendering of any musical services, defendant did not meet burden of proving laches or acquiescence. Lanham Trade-Mark Act, §§ 39, 43(a), 15 U.S.C.A. §§ 1121, 1125(a).

6. Torts

"Right of publicity" signifies right of individual, especially public figure or celebrity, to control commercial value and exploitation of his name or picture or likeness or to prevent others from unfairly appropriating that value for their commercial benefit.

See publication Words and Phrases for other judicial constructions and definitions.

7. Torts

Individual has right personal to him to be let alone, and thus to prevent others from invading his privacy, injuring his feelings, or assaulting his peace of mind.

8. Assignments

Torts

New Jersey would allow cause of action for infringement of right of publicity, a right capable of being disassociated from the individual and transferred by him for commercial purposes.

9. Assignments

Descent and Distribution

Under New Jersey law, singer, during his life, owned property right in his name and likeness which he could license or assign for his commercial benefit and that right of publicity survived his death and became part of his estate.

10. Torts

If media portrayal of real person serves purpose of contributing information, which is not false or defamatory, to public debate of political or social issues or of providing free expression of creative talent which contributes to society's cultural enrichment, then portrayal generally will be immune from liability based on theory of right of publicity, but if portrayal functions primarily as means of commercial exploitation, then such immunity will not be granted.

11. Torts

While one who is public figure or is presently newsworthy may be proper subject of news or informative presentation, privilege does not extend to commercialization of his personality through form of treatment distinct from dissemination of news or information.

12. Injunction

In suit brought by estate of deceased singer on theory of infringement of New Jersey right of publicity, wherein preliminary injunction was sought, record disclosed likelihood of success on basis that defendant's stage production, which was patterned after actual stage show of singer and featured an individual who impersonated the singer by performing in his style, although it contained an informational and entertaining element, had as its primary purpose commercial exploitation of likeness of singer without contributing anything of substantial value to society.

13. Torts

Through receiving royalties, heirs of singer, a legendary figure in entertainment industry, were beneficiaries of right of individual to reap reward of his endeavors and, under New Jersey's right of publicity, they were entitled to protect commercial value of name or likeness of singer from activities which might diminish that value.

14. Injunction

Estate of deceased singer seeking preliminary injunction demonstrated likelihood of success on merits of its right of publicity claim with respect to defendant's live stage production in which singer was imitated and also likelihood of success as to defendant's unauthorized use of singer's likeness on cover or label of records or pendants sold or distributed by defendant.

15. Trade Regulation

To prevail on statutory or common-law trademark or service mark infringement claim, plaintiff must establish that names or symbols are valid, legally protectible trademarks or service marks, that they are owned by plaintiff and that defendant's subsequent use of same or similar marks to identify goods or services is infringing, i.e., is likely to create confusion as to origin of goods or services. Lanham Trade-Mark Act, §§ 39, 43(a), 15 U.S.C.A. §§ 1121, 1125(a).

16. Trade Regulation

Actions for trademark or service mark infringement serve both to protect right of public to be free of confusion and synonymous right of a trademark or service mark owner to control his product's or service's reputation. Lanham Trade-Mark Act, §§ 39, 43(a), 15 U.S.C.A. §§ 1121, 1125(a).

17. Trade Regulation

"Service mark" is word, name, symbol or device, or any combination, adopted and used in sale or advertising of services to identify services of entity and distinguish them from services of others.

See publication Words and Phrases for other judicial constructions and definitions.

18. Trade Regulation

Entertainment is considered a service in connection with law of service marks.

19. Trade Regulation

In proceeding on motion filed by estate of deceased singer to preliminarily enjoin defendant's use of names, logo and likeness and image of singer, plaintiff presented sufficient evidence to establish that three of the four names and logo had served as service marks but failed to establish that fourth name or the likeness and image of singer, had so served.

20. Trade Regulation

Inherently distinctive trademarks or service marks, such as fanciful or arbitrary or non-descriptive, but suggestive, words and symbols, gain protected status upon their first adoption and use, while noninherently distinctive marks only achieve protection if mark is shown to have secondary meaning.

21. Trade Regulation

Trademark or service mark attains secondary meaning if consuming public has come to recognize it not only as identification of goods or services but also as symbol indicating that goods or services emanate from single source, even though identity of that source may be unknown. Lanham Trade-Mark Act, §§ 39, 43(a), 15 U.S.C.A. §§ 1121, 1125(a).

22. Trade Regulation

In proceeding on deceased singer's estate's motion for preliminary injunction against use of names or symbols alleged to be valid service marks, evidence sufficiently showed that names had acquired secondary meaning associated with singer's entertainment services and that mark composed of initials and lightning bolt logo and particularly "pose" service mark had also acquired secondary meanings. Lanham Trade-Mark Act, §§ 39, 43(a), 15 U.S.C.A. §§ 1121, 1125(a).

23. Trade Regulation

Trademarks and service marks are in nature of property rights and they can be alienated like any property, but unlike patents and copyrights, they have no existence independent of article, service or business in connection with which mark is used. Lanham Trade-Mark Act, §§ 39, 43(a), 15 U.S.C.A. §§ 1121, 1125(a).

24. Trade Regulation

After singer's death, right to use service marks and trademarks identifying entertainment services of singer and merchandise licensed by him passed to his legal representative as part of assets of his estate and, as long as those continued to be used to identify singer's entertainment services, which were still available in such forms as records, video tapes, movies and television performances, the marks would continue to exist and would not be considered abandoned. Lanham Trade-Mark Act, §§ 39, 43(a), 15 U.S.C.A. §§ 1121, 1125(a).

25. Trade Regulation

In proceeding by deceased singer's estate to have defendant preliminarily enjoined from using service marks or trademarks used to identify singer's entertainment services, evidence was sufficient to establish that estate still owned and properly used the marks.

26. Trade Regulation

Test for infringement of common-law service marks or trademarks, is whether defendant has made subsequent unauthorized use of marks, which are the same as, or similar to, marks used by plaintiff, in the sale or advertising of his goods or services to identify those goods or services and defendant's use creates likelihood of confusion or deception as to source of those goods or services.

27. Trade Regulation

Death of singer did not preclude finding that defendant's theatrical presentation designed to imitate performance of singer was infringing and likelihood of confusion would exist if consumers were likely to believe that singer's estate sponsored the presentation, licensed defendant to use estate's service marks in connection with it or was, in some other way associated or affiliated with production.

28. Trade Regulation

Determination of likelihood of confusion necessitates weighing of various factors including strength of plaintiff's mark, degree of similarity between the marks of plaintiff and defendant, intent of defendant in adopting allegedly infringing mark, similarity of products or services involved, trade channels, manner of marketing and predominant purchasers, and evidence of actual confusion.

29. Trade Regulation

Generally, strong trademarks or service marks are protected over wide range of related products or services and variations on appearance of mark, while weak marks are given narrow range of protection, both as to products or services and as to visual variations.

30. Trade Regulation

For purposes of motion of deceased singer's estate to preliminarily enjoin defendant's use of service marks, evidence established that marks had acquired great distinctiveness in eyes of public and strongly identified singer's entertainment services and the source, although not necessarily by name, of those services.

31. Trade Regulation

The greater the similarity between plaintiff's and defendant's service marks, the greater the likelihood of confusion.

32. Trade Regulation

If plaintiff can demonstrate that defendant adopted service mark with intent of obtaining unfair commercial advantage from reputation of plaintiff, that fact alone may be sufficient to justify inference that there is confusing similarity.

33. Trade Regulation

Direct competition or identity of services or products is not required to prove likelihood of confusion by members of consuming public.

34. Trade Regulation

Although showing of actual confusion by members of consuming public as to entertainment services provided by plaintiff and defendant would be significant, evidence is not necessary to finding of likelihood of confusion, particularly where party seeks only preliminary equitable relief.

35. Trade Regulation

In determining existence of likelihood of confusion of service marks, court must look through eyes of ordinary purchasers, buying with ordinary caution, including people whose purchases are motivated by appearance and general impressions.

36. Trade Regulation

In proceeding on motion by estate of deceased singer for preliminary injunction, evidence established that there was likelihood of confusion as to defendant's service marks, trademarks, pictures resembling the singer's distinctive pose and logo for defendant's stage show and plaintiff established likelihood of its ultimate success on merits of infringement claims as to those marks, but plaintiff did not establish the same likelihood as to defendant's use of the name of the stage show, alone, as name or mark for its production.

37. Trade Regulation

With respect to unfair competition, focus generally is on buyer's likely confusion between two products or services based on examination of everything that is likely to have an impact upon the purchaser.

38. Trade Regulation

With respect to unfair competition, test is likelihood of confusion or deception among actual or prospective customers of plaintiff, but where necessary and probable tendency of defendant's simulation or resemblance of plaintiff's trade name is to mislead public into believing that defendant's business is that of or connected with plaintiff's, then neither actual confusion nor actual fraudulent intent need be shown, for court is then concerned with consequences of defendant's acts and not motive for them.

39. Trade Regulation

Injunctive relief will be granted in unfair competition case upon proof of likelihood of confusion as to source of sponsorship, despite diverse nature of products or services involved.

40. Trade Regulation

Same facts supporting suit for trademark or service mark infringement will support a suit for unfair competition, but there were fewer restrictions in showing of unfair competition and it is possible to be guilty of unfair competition, even when trademark infringement is not present, if use of similar but noninfringing mark or device is combined with unfair practices in manner which is likely to deceive purchasers regarding origin of goods or services under all circumstances.

41. Trade Regulation

In proceeding by estate of deceased singer for preliminary injunction on basis of unfair competition by defendant, plaintiff established that use of logo for defendant's stage show pictures resembling deceased and certain initials of defendant's advertising, business and promotional materials were likely to deceive public as to origin of sponsorship of show, but that use of the name of the stage show, without any accompanying photographs or artist's renderings, was not likely to confuse or deceive.

42. Trade Regulation

Doctrine of unfair competition does not attach strict liability to good-faith and nonconfusing imitation of entertainment services, such as concert by famous performer, particularly where the original performer is no longer living.

43. Trade Regulation

Lanham Act created distinct federal statutory tort designed to afford broad protection against various forms of unfair competition and false advertising, including deceptive and misleading advertising. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

44. Trade Regulation

Generally, the same facts which would support action for trademark or service marks infringement or common-law unfair competition, facts indicating likelihood of confusion as to source of sponsorship of goods or services, would support action for unfair competition practices under the Lanham Act. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

45. Trade Regulation

One of purposes of Lanham Act, provisions concerning false designation or origin, as distinguished from common law of unfair competition, is to protect consumers as well as

commercial interests from effects of false advertising. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

46. Trade Regulation

Estate of deceased singer did not make sufficient showing that presentation of defendant's stage production in which singer was imitated had resulted in any loss of commercial benefits to plaintiff or would result in irreparable commercial harm in the near future as contended by plaintiff which sought preliminary injunction under the Lanham Act, but that irreparable injury would result from defendant's continued sale of pendants displaying singer's likeness and records whose covers or labels displayed pictures of artist's renderings which were or appeared to be of the singer. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

47. Trade Regulation

Generally, in contexts of service mark or trademark, infringement and unfair competition, including violation of Lanham Act, plaintiff who demonstrates likelihood of confusion as to source, and thus likelihood of success on the merits, will have formed a strong basis for showing irreparable injury as basis for preliminary injunction. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

48. Trade Regulation

Deceased singer's estate, which sought preliminary injunction against defendant's use of service marks, established that it would be irreparably injured by being deprived of its ability to control nature and quality of service which public believed it provided and that its good will would probably be damaged if purchasing public believed plaintiff had sponsored or helped produce defendant's stage show and was dissatisfied with it. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

49. Trade Regulation

Record established that hardships caused defendant by complying with preliminary injunction restraining it from using service marks and trademarks, on basis that they would engender confusion as to whether source was defendant or estate of deceased singer, would not outweigh harm to estate resulting from failure to grant preliminary injunction and that public interest favored granting preliminary relief. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

David Gutin, Camden, N.J., W. M. Webner, Littlepage & Webner, Arlington, Va., D. Blecher Smith, II, Glankler, Brown, Gilliland, Chase, Robinson & Raines, Memphis, Tenn., Alan M. Lerner, Cohen, Shapiro, Polisher, Shiekman & Cohen, Philadelphia, Pa., for plaintiff.

James Greenberg, Camden, N.J., Dennis H. Eisman, Philadelphia, Pa., for defendant.

ON MOTION FOR A PRELIMINARY INJUNCTION FINDINGS OF FACT AND CONCLUSIONS OF LAW

BROTMAN, *District Judge*. During his lifetime, Elvis Presley established himself as one of the legends in the entertainment business. On August 16, 1977, Elvis Presley died, but his legend and worldwide popularity have survived. As Presley's popularity has subsisted and even grown, so has the capacity for generating financial rewards and legal

disputes.¹ Although the present case is another in this line, it presents questions not previously addressed. As a general proposition, this case is concerned with the rights and limitations of one who promotes and presents a theatrical production designed to imitate or simulate a stage performance of Elvis Presley.

This action is currently before the court on a motion by plaintiff, the Estate of Elvis Presley, for a preliminary injunction pursuant to Rule 65 of the Federal Rules of Civil Procedure. It seeks a preliminary injunction restraining defendant, Rob Russen, d/b/a THE BIG EL SHOW (hereafter Russen), or anyone acting or purporting to act in his or its behalf or in collaboration with it from using the name and service mark THE BIG EL SHOW and design, the image or likeness or persona of Elvis Presley or any equivalent, the names Elvis, Elvis Presley, Elvis in Concert, The King, and TCB or any equivalent or similar names on any goods, in any promotional materials, in any advertising or in connection with the offering or rendering of any musical services.

Plaintiff instituted suit on April 9, 1980 for federal law unfair competition (false designation of origin under § 43(a) of the Lanham Trademark Act, 15 U.S.C. § 1125(a), common law unfair competition, common law trademark infringement and infringement of the right of publicity. This court has jurisdiction by virtue of 15 U.S.C. § 1121, 28 U.S.C. § 1332, and 28 U.S.C. § 1338. Venue is properly laid in the District of New Jersey by 28 U.S.C. § 1391. Plaintiff seeks a permanent injunction, an impounding and delivery to plaintiff of promotional and advertising materials, letterheads, business cards and other materials, an accounting of defendant's profits, and an award of treble damages and of reasonable attorneys' fees. Defendant answered the allegations contained in the complaint and also filed a counterclaim alleging that the plaintiff's actions were in violation of the anti-trust laws of the United States.

On October 2, 1980, the court conducted a hearing on the preliminary injunction motion, which is being submitted upon the proof taken at the hearing, pleadings, depositions, affidavits, exhibits, and written briefs. This opinion incorporates the court's findings of fact and conclusions of law as authorized by Rule 52(a) of the Federal Rules of Civil Procedure.

Every Finding of Fact that may be a Conclusion of Law is adopted as such; and every Conclusion of Law that may be a Finding of Fact is adopted as such.

¹See *Memphis Development Foundation v. Factors Etc., Inc.*, 616 F.2d 956 (6th Cir.), cert. denied, ____ U.S. ____, 101 S.Ct. 358, 66 L.Ed.2d 217 (1980); *Factors Etc., Inc. v. Pro Arts, Inc.*, 496 F.Supp. 1090 (S.D.N.Y.1980) (permanent injunction); 444 F.Supp. 288 (S.D.N.Y.1977) (preliminary injunction) affirmed, 579 F.2d 215 (2nd Cir. 1978), cert. denied, 440 U.S. 908, 99 S.Ct. 1215, 59 L.Ed.2d 455 (1979); *Factors Etc., Inc. v. Creative Card Co.*, 444 F.Supp. 279, 282 (S.D.N.Y.1977).

FINDINGS OF FACT

Plaintiff

1. Plaintiff is the Estate of Elvis Presley (hereafter the Estate) located in Memphis, Tennessee, created by the Will of Elvis Presley and is, under the laws of the State of Tennessee, a legal entity with the power to sue and be sued. (Tennessee Code Annotated § 35-618; Exhibit P. 26).

2. The Estate came into being upon the death of Elvis Presley on August 16, 1977. (Parker, Affidavit).

3. During his career, Elvis Presley established himself as one of the premier musical talents and entertainers in the United States, Europe and other areas of the world. He was the major force behind the American Rock and Roll movement, and his influence and popularity has continued to this day. During Presley's legendary career, his talents were showcased in many ways. He performed in concert, setting attendance records and selling out houses in Las Vegas and other cities in which his tour appeared. He starred in numerous motion pictures including one entitled Viva Las Vegas, which is also the name of the movie's title song which Presley sang. He made records which sold over one million copies and appeared on television programs and in television specials made from his tour programs. (Jarvis Testimony, Tr. pp. 42-63).

4. The Elvis Presley tours were billed as "Elvis in Concert," and his nightclub performances were billed as the Elvis Presley Show, while Elvis Presley shows in Las Vegas were billed simply as "Elvis." Most of Elvis Presley's record albums used the name ELVIS on the cover, as part of the title. One of his albums was entitled ELVIS IN CONCERT. (Hanks, Affidavit; Jarvis Testimony, Tr. pp. 45, 49, 63; Exhibits, P 10, 12, 16).

5. Elvis Presley adopted the initials TCB along with a lightning bolt design to identify entertainment services provided by him. This insignia appeared on letterheads, jackets for personnel associated with the show, a ring worn by Presley while performing, and tails of Presley's airplanes. Also, Presley's band was identified as the TCB band. (Jarvis Testimony, Tr. pp. 45-46, 53-57; Exhibits, P 17A, 17B).

6. Elvis Presley's nickname was "THE KING." (Jarvis Testimony, Tr. p. 57).

7. Although Elvis Presley exhibited a range of talents and degrees of change in his personality and physical make-up during his professional career, he, in association with his personal manager, Thomas A. (Col.) Parker, developed a certain, characteristic performing style, particularly as to his live stage shows. His voice, delivery, mannerisms (such as his hips and legs gyrations), appearance and dress (especially a certain type of jumpsuit and a ring), and actions accompanying a performance (such as handing out scarves to the audience), all contributed to this Elvis Presley

style of performance. (Jarvis Testimony, Tr. pp. 45-53; Exhibits P 10, 12, 16).

8. One particular image or picture of Presley became closely associated with and identifiable of the entertainment provided by Elvis Presley. This image (hereafter referred to as the "Elvis pose") consisted of a picture or representation of Elvis Presley dressed in one of his characteristic jump-suits with a microphone in his hand and apparently singing. (Exhibits P 10, 12, 16).

9. Elvis Presley exploited his name, likeness, and various images during his lifetime through records, photographs, posters, merchandise, movies, and personal appearances. (Exhibits P 1, 12, 13, 16, 20, 21, 27; Jarvis testimony, Tr. pp. 44-64).

10. As a result of Presley's own talent, as well as of the various promotional efforts undertaken on his behalf, the popularity of Elvis Presley and his entertainment services, as identified by certain trademark and service marks reached worldwide proportions. Elvis Presley productions achieved a reputation for a certain level of quality and performance. Goodwill attached to Presley's performances and the merchandise bearing his name and picture.

11. From nearly the beginning of his life as an entertainer, Elvis Presley was represented in his career by Thomas A. (Col.) Parker. (Exhibit P 25; Parker Affidavit).

12. On March 26, 1956, Elvis Presley having reached age 21 entered into an agreement with Col. Parker, amending an agreement entered into in 1955 between Col. Parker and Elvis Presley and his parents, making Parker Elvis Presley's "sole and exclusive Advisor, Personal Representative and Manager in any and all fields of public and private entertainment." (Exhibit P 25).

13. Throughout Presley's professional career, Parker continued to supervise and authorize the commercialization of Presley's name, image, picture and/or likeness. He granted different entities the right to use Elvis' name, image, picture or likeness on such merchandise as posters, statues, buttons, for a limited time in return for a percentage on the sales of the articles involved. (Parker Affidavit). On July 26, 1956, Col. Parker with Presley's approval, entered into an agreement with Special Projects, Inc. granting to it for a term of one (1) year a commercial license for the use of the name, photograph and likeness of Elvis Presley "in connection with the sale, marketing and exploitation of consumer items." (Exhibit P 27).

14. The working relationship between Presley and Parker begun in 1955 appears to have continued throughout Presley's career. Although there are some gaps in the documents showing this relationship during the next 22 years, the evidence presented sufficiently supports their continuing association. (Parker Affidavit; Davis Affidavit).

15. In particular, on January 22, 1976, Elvis Presley entered into an agreement (Exhibit P 1) with Col. Parker, d/b/a All Star Shows, whereby

he authorized Parker to set up tours, promotion, merchandising sales and any other medium involving the artistry of Elvis Presley and to generally act as his agent for merchandising projects, personal appearances, motion picture performances and "any other projects involving the personal services, name, photo or any likeness of the Artist," Elvis Presley. The agreement also sets forth the responsibilities of Presley and Parker with respect to the shows. "Presley is responsible for the presentation of the stage performance" and Col. Parker handles the "advertising and promotion of the show." Thus, Presley did not authorize any rights associated directly with the performances and how they were to be conducted.

This agreement which recognizes Presley's existing contracts did not preclude Elvis Presley from arranging any activities, including merchandising or performing, on his own behalf. The terms of the agreement appear to negate any implication of an "assignment," which would necessarily preclude Elvis Presley himself from entering into agreements pertaining to the use of his name, likeness and image. The agreement, which was limited to a seven (7) year period, gave Parker supervision of merchandising projects and a power of attorney-in-fact for specified purposes, but did not assign or sell the rights of Elvis Presley to his name, likeness or image.

16. In 1974, Boxcar Enterprises, Inc. was incorporated. Col. Parker and Elvis Presley were two of the original subscribers to the stock in the corporation. According to the charter of the corporation, it was formed for the purpose of, *inter alia*, publishing music, managing entertainers, producing records, producing motion pictures, producing entertainment, selling merchandise and otherwise generally engaging in the broad range of activities corporations may undertake. Col. Parker, Elvis Presley, and Tom Diskin, the President of Boxcar, did subscribe to shares in the corporation, for which shares Elvis Presley gave a consideration of three thousand dollars (\$3,000.00). (Hanks Affidavit and Exhibits; Diskin Affidavit).

17. Col. Parker is the majority shareholder in and Chairman of the Board of Boxcar Enterprises, Inc. and he, under the terms of his agreement with Elvis Presley, licensed or sublicensed Boxcar Enterprises, Inc. to act on behalf of Elvis Presley to create and promote merchandise and articles using the name, likeness and image of Elvis Presley. (Exhibits P 5; Diskin Affidavit; Parker Affidavit).

18. There have been no licenses or assignments by Elvis Presley to Boxcar Enterprises, Inc. There have been only letters setting in writing the agreed division of the royalties and income from the sale of merchandise by Boxcar Enterprises, Inc. (Diskin Affidavit; Exhibit P 5. *See* Parker Affidavit).

19. The right to the commercial use of the name, likeness and image which Boxcar Enterprises has is derived from the license or sublicense

granted to Boxcar by Col Parker. Col. Parker's rights derive from the January 22, 1976 contract (Exhibit P 1) he entered into with Elvis Presley which will terminate in 1983. It is understood that the Parker-Boxcar agreement terminates at the same time. (Exhibit P 6; Diskin Affidavit. *See* Parker Affidavit).

20. In a letter dated August 23, 1977, one week after Elvis Presley's death, Vernon Presley, Elvis' father and the executor of Elvis' estate, asked Col. Parker to "carry on according to the same terms and conditions" of the agreement between Elvis Presley and Col. Parker dated January 22, 1976. (Exhibit P 3). In June 1979, after Vernon Presley's death, the Estate of Presley, through its representatives again reaffirmed the agreement between Col. Parker and Elvis Presley. (Exhibit P 4). The Estate's continued desire to have Col. Parker market the name, likeness and image of Elvis and, thus, obtain income for the estate is based on the Estate's position that Parker "could probably make the most of the opportunity that was there plus maintain the quality that he and Elvis had maintained throughout the period of their relationship." (Hanks testimony Tr. pp. 22-26).

21. Boxcar Enterprises, Inc. and the Estate agreed by letter dated August 24, 1977, to Boxcar's continued payment to the Estate of royalties from the sale of merchandise. (Exhibit P 2).

22. Two days after Elvis Presley's death, on August 18, 1977, Boxcar Enterprises, Inc. granted an exclusive license to Factors Etc., Inc. (Factors) to use the name, likeness, characters, symbols, designs and visual representations of Elvis Presley, termed the "Feature," on merchandise throughout the world for a period of eighteen (18) months, renewable for four (4) one-year periods thereafter. The license specifically reserved to the licensor the right, title and interest to the Feature and specifically stated that the rights granted were not an assignment but only a license. The license sets forth quality control provisions for standards for the merchandise and specifically states that the rights licensed shall revert to the licensor upon the termination of the license. (Exhibit P 6; Turner Testimony, Tr. pp. 67-68).

23. As an inducement for Factors Etc., Inc. to enter into the license agreement with Boxcar Enterprises, Inc., Vernon Presley as executor of the Estate, executed the agreement on a separate page, confirming "the truth of the representations and warranties of Boxcar contained in the agreement." (Exhibit P 6).

24. In the license between Boxcar and Factors, Boxcar sets forth that it "has exclusive ownership of all rights to the use of the Feature," that it is "the sole owner of the entire right, title and interest in the Feature when used in connection with . . . merchandise," and that it has the "full right, authority and power to enter into this Agreement." (Exhibit P 6). Because of Boxcar's arrangement with Col. Parker, his control of Boxcar and his

exclusive representation contract of Elvis Presley for seven years (or until 1983) (Exhibit P 1; Hanks Affidavit, Minutes of First Meeting of Incorporation), these representations, considering the time period of the license to Factors, though not completely accurate, were true as far as necessary for Factor's protection to operate under the license. No one else had the license rights for merchandise but Col. Parker/Boxcar. Given the time frame of the execution of the agreement (two days after Elvis Presley's death) and knowing of the agreement (Exhibit P 1) between Elvis Presley and Col. Parker, Vernon Presley's signature as "an inducement" cannot be considered an assignment of rights or a confirmation of an assignment, but rather an affirmation of Col. Parker's/Boxcar's exclusive *license* rights for a period of years. The continued understanding of the parties confirms that there has been no assignment of rights by Elvis Presley or his Estate, but merely the licensing of the right to exploit commercially Elvis Presley's name, likeness and image for merchandise for a limited period of time. (Turner Testimony, Tr. p. 67; *see* Diskin Affidavit).

25. Elvis Presley's popularity did not cease upon his death. His records and tapes are still sold in considerable dollar and unit amounts and Elvis Presley movies are still shown in theaters and on television. Elvis Presley merchandise is still in demand and sold. Also, many people travel to Memphis, Tennessee to visit Presley's gravesite and to see Graceland Mansion, his former home. The extent of Presley's continued popularity and the value and goodwill associated with him and his performances on, for example, records, film, and tape, is evidenced by the over seven (7) million dollars in royalty and licensing payments which Presley's estate received in the first two years of its existence. (Hanks Affidavit; Hanks Testimony, Tr. p. 19; Parker Affidavit. *See* Davis Affidavit).

26. The agreements, including the Boxcar-Factors contract, relative to the commercial use of Elvis Presley's name, likeness and image are terminable. Upon their termination the existing rights to the name, likeness and image of Elvis Presley revert ultimately to the Estate. (Turner Testimony, Tr. p. 67; Diskin Affidavit).

27. Further, the Estate, during the existence of the agreements, that is, prior to their termination, has an interest in protecting the licensed rights not only for their value upon their reversion to it, but also to protect its continued royalties, which it receives from the licensees' sales of records, movies, merchandise and television performances of Elvis Presley. The Estate's licensees advertise and promote the marks identifying Presley's entertainment services and licensed merchandise to maintain their commercial value and goodwill. (Exhibit P 2; Hanks Testimony, Tr. pp. 18-20, 76-77).

28. The Estate has entered into a license agreement for the use of the logo TCB and the lightning bolt design to identify a band composed of the members of Elvis Presley's back-up band. The Estate receives royalties.

(Exhibit P 23; Jarvis Testimony, Tr. p. 55; Hanks Testimony, Tr. pp. 76–77).

29. The Estate, with the agreement of Col. Parker, has entered into a movie contract with Warner Bros. Studio for a movie about Elvis Presley. (Exhibit P 22; Hanks Testimony, Tr. p. 76).

30. The Estate and its licensees and sublicensees and during his lifetime, Elvis Presley and his representatives and those with whom he had contracts or licenses have taken actions to protect the rights of the Estate and of the licensees. (Parker, Affidavit; Davis Affidavit; Hanks Testimony, Tr. pp. 82–83). For example, the Estate has filed an opposition against the registration by defendant Russen of a trademark (Hanks Testimony, Tr. pp. 82–83) and Factors Etc., Inc. has instituted law suits. (*See Factors Etc., Inc. v. Pro Acts, Inc.*, 444 F.Supp. 288 (S.D.N.Y.1977) (preliminary injunction), *aff'd*, 579 F.2d 215 (2nd Cir. 1978), *cert. denied*, 440 U.S. 908, 99 S.Ct. 1215, 59 L.Ed.2d 455 (1979); 494 F.Supp. 1090 (S.D.N.Y.1980) (permanent injunction); *Factors Etc., Inc. v. Creative Card Co.*, 444 F.Supp. 279 (S.D.N.Y.1977); *Memphis Development Foundation v. Factors Etc., Inc.*, 441 F.Supp. 1323 (W.D.Tenn.), *rev'd*, 616 F.2d 956 (6th Cir. 1980).)

Defendant

31. Defendant, Rob Russen d/b/a THE BIG EL SHOW (hereafter Russen) is the producer of THE BIG EL SHOW.

32. THE BIG EL SHOW is a stage production patterned after an actual Elvis Presley stage show, albeit on a lesser scale, and featuring an individual who impersonates the late Elvis Presley by performing in the style of Presley. The performer wears the same style and design of clothing and jewelry as did Presley, hands out to the audience scarves as did Presley, sings songs made popular by Presley, wears his hair in the same style as Presley, and imitates the singing voice, distinctive poses, and body movements made famous by Presley. (Exhibit P 11, 12, 14, 15; Exhibit D to Defendant's Answer; Jarvis Testimony, Tr. pp. 45–53; Russen Deposition, pp. 27–28, 54–55, 59).

33. Russen charges customers to view performances of THE BIG EL SHOW or alternatively charges fees to those in whose rooms or auditoriums THE BIG EL SHOW is performed who in turn charge customers to view THE BIG EL SHOW. (Exhibit D to Defendant's Answer).

34. THE BIG EL SHOW production runs for approximately ninety minutes. The show opens with the theme from the movie "2001 – A Space Odyssey" which Elvis Presley also used to open his stage shows. (Exhibit D to Defendant's Answer; Jarvis Testimony, Tr. p. 62). The production centers on Larry Seth, "Big El," doing his Elvis Presley impersonation and

features musicians called TCB Band. The TCB Band was also the name of Elvis Presley's band; however THE BIG EL SHOW TCB Band does not consist of musicians from Presley's band. (Jarvis Testimony, Tr. pp. 53-57; Exhibits P 11, 14, 15 17A-C, 23; Russen Deposition, pp. 53-54).

35. From the inception of THE BIG EL SHOW, the star was Larry Seth. Seth, who is under a long-term contract with THE BIG EL SHOW, recently "retired" from the show; but he may return. (Russen Affidavit; see Russen Deposition, p. 171). THE BIG EL SHOW has continued its performances by using replacements for Seth. (Russen Deposition, pp. 91-92).

36. THE BIG EL SHOW was first presented in 1975 (Russen Affidavit; Russen Deposition, p. 22; Exhibit D to Defendant's Answer) and has been performed in the United States and Canada. For example, performances have been given in cities and towns in Connecticut, Maryland, New Jersey, Pennsylvania, and Nevada (one engagement at a Hotel-Casino in Las Vegas). (Russen Deposition, pp. 28-33, 37, 91; Exhibits P 14, 19, 17C; Exhibit D to Defendant's Answer). In addition, Larry Seth as the star of THE BIG EL SHOW has appeared on television talk shows in Philadelphia and Las Vegas, and on the David Susskind Show, a nationally syndicated program. (Exhibit P 17C; Russen Deposition, pp. 55-56, 167).

37. Russen has advertised the production as THE BIG EL SHOW and displayed a photograph of the star, Larry Seth, or an artist's rendering of Seth dressed and posed as if in performance. The advertisements make such statements as "Reflections on a Legend . . . A Tribute to Elvis Presley," "Looks and Sounds LIKE THE KING," "12 piece Las Vegas show band." (Russen Deposition, p. 176; Exhibits P 14, 15).

38. Although the various pictures and artist's rendering associated with THE BIG EL SHOW are photographs of Larry Seth, or based on such photographs (Russen Affidavit; Exhibit P 28), a reasonable viewer upon seeing the pictures alone would likely believe the individual portrayed to be Elvis Presley. Even with a side-to-side comparison of photographs of Larry Seth as Big El and of certain photographs of Elvis Presley, it is difficult, although not impossible, to discern any difference.

39. On October 18, 1978, Russen applied to the United States Patent and Trademark Office to register the name THE BIG EL SHOW and the design feature, of that name, *i.e.*, an artist's rendition of Larry Seth as Big El, as a service mark. (Exhibit P 28). Plaintiff did prepare and timely file its Notice of Opposition in the United States Patent and Trademark Office to contest the defendant's right to register the mark. (Exhibit F to Plaintiff's Memorandum in Support of the Motion for Preliminary Injunction). The proceeding before the Trademark Trial and Appeal Board has been stayed by the Board pending the results in the suit before this court.

40. Russen has produced or had produced for him records of THE BIG EL SHOW (including two albums and three 45 RPMs). (Russen Deposi-

tion, pp. 72–74; *see* Exhibits P 11, 13, 18). Only a limited number of these records were pressed, and they were made for sales and promotional purposes. (Russen Deposition, pp. 73–74). One record album, entitled “Viva Las Vegas” (Exhibit P 11) has on the cover of the jacket only the title and an artist’s sketch which upon reasonable observation appears to be of Elvis Presley. It is only on the back of the jacket in a short blurb and in the credits that the name BIG EL SHOW appears. It is also indicated that the show stars Larry Seth as Big El and features the TCB Band. The other album (Exhibit P 13) is entitled BIG EL SHOW “In Concert” and also features an artist’s drawing, ostensibly of Big El, but which looks like Elvis Presley, with microphone in hand, singing. Only one of the 45s has been presented to this court. THE BIG EL SHOW insignia (Exhibit P 28) appears on both sides. The artists are designated as Larry Seth and TCB Orchestra, on Side I, and Larry Seth and PCB [sic] Orchestra on Side II.

41. In addition to selling records at performances of THE BIG EL SHOW, Russen sold Big El pendants and a button with the picture of Larry Seth as Big El. (Russen Deposition, pp. 77–78).

42. Russen began to produce THE BIG EL SHOW and to use his certain identifying marks, such as THE BIG EL SHOW logo, after Presley had become famous as one of the premier performers in the world and had used and established certain marks as strongly identifying his services and the merchandise licensed or sub-licensed by him.

43. Russen has never had any authorization from, license or contractual relation with Elvis Presley or with the Estate of Elvis Presley in connection with the production of THE BIG EL SHOW. (Parker Affidavit; Hanks Affidavit; Hanks Testimony, Tr. pp. 79–80).

DISCUSSION and CONCLUSIONS OF LAW

I. *Standing*

The issue of standing requires us to determine “whether the plaintiff has ‘alleged such a personal stake in the outcome of the controversy’ as to warrant his invocation of federal court jurisdiction and to justify exercise of the court’s remedial powers on his behalf.” *Warth v. Seldin*, 422 U.S. 490, 498–99, 95 S.Ct. 2197, 2205, 45 L.Ed.2d 343 (1975) (emphasis in original). Plaintiff has shown that it has an economic interest in the protection of the rights it asserts, for it receives royalty or percentage payments from those who sell merchandise using the name, likeness and image of Elvis Presley. Further, it receives payments from record sales, has entered into motion picture contracts and has licensed the TCB logo. (*Cf Factors Etc., Inc. v. Pro Arts, Inc.*, 579 F.2d 215, 222 (2nd Cir. 1978) (“ . . . income interest, continually produced from Boxcar’s exclusive right of commercial exploitation should inure to Presley’s estate at death like any other intangible property right.”)).

[1-3] Perhaps an even more compelling reason for granting standing than the Estate's income from the current licensing agreements, is the Estate's protection of and future ability to generate income from those property rights, such as the use of trademarks or service marks, associated with Elvis Presley's entertainment services which became owned by Presley's estate after his death. *See generally* Trademarks and Tradenames, 74 Am.Jur.2d, § 25 (1974).² It has been shown that those parties who have entered into agreements with Elvis Presley, or with his Estate, to make use of the name, likeness and image of Presley have been licensees. None of the agreements between Elvis Presley and others, including his manager and agent, Thomas A. (Col.) Parker, indicate that Presley assigned his right, title and interest to those property rights connected with his name, likeness and/or image. While the terms, "assignment," "exclusive license," and "license" are frequently used by courts and practitioners interchangeably, the differences are significant. An assignment passes legal and equitable title to the property while a license is mere permission to use. Assignment is the transfer of the whole of the interest in the right while in a license the owner retains the legal ownership of the property. Vandenburg, *Trademark Law and Procedure*, 2d Ed. § 7.31; Gilson, *Trademark Protection and Practice* § 6.01.

An assignment presupposes the transfer of the entire interest in a trademark, while a license involves the transfer of something less than the entire interest, and does not affect the licensor's title. The assignee becomes the new owner while the licensee is a mere user. *If the grant of an exclusive use of a trademark is limited as to duration or area, it will not confer title thereto upon the licensee* or upon the party who purchases the trademarked article for resale. The licensee acquires only the right to a limited use of the trademark, for the title to the reversionary interest in that use remains with the owner. . . . The licensor is merely estopped from challenging the licensee's use of the mark under the agreement. In principle, an assignment is permanent and perpetual, while a license is temporary, provisional or conditional. (emphasis added).

Callmann, *The Law of Unfair Competition, Trademarks and Monopolies* (hereafter "Callmann"), § 78.2 (3d ed. 1969). Thus, even if Presley had licensed certain property rights such as service marks, the ownership of these rights and standing to protect them, remained with Presley, and, after his death became part of the assets of his estate. If, as is alleged by the plaintiff, the defendant's use of certain logos or advertising is likely to have a negative impact on these intangible property rights or on the goodwill associated with Presley or his Estate, then a sufficient reason for granting standing exists. As it has been noted with respect to trademark infringement, "[s]tanding to sue exists in anyone who 'is or is likely to be damaged'

²See the discussion, *infra*, concerning the Estate's ownership of certain trademarks and service marks.

by the defendant's use of the disputed mark, and the parties need not be direct competitors. *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 314 F.2d 149, 151 (9th Cir. 1963), *cert. den.*, 374 U.S. 830, 83 S.Ct. 1870, 10 L.Ed.2d 1053." *National Lampoon, Inc. v. American Broadcasting Cos., Inc.*, 376 F.Supp. 733, 746 (S.D.N.Y.), *Affirmed*, 497 F.2d 1343 (2nd Cir. 1974). In addition, we are convinced that "the [plaintiff's] personal stake in the outcome [is] compelling enough to assure aggressive and conscientious advocacy and that the issues" . . . [are not] . . . "so nebulous as to create the danger of judicial inquiry beyond customary bounds." *Schiaffo v. Helstoski*, 492 F.2d 413 (3rd Cir. 1974).

II. Laches and Acquiescence

[4] Russen, having asserted the defenses of laches, and acquiescence in his Answer, argues that a preliminary injunction, thus, should not be granted. Although it has been noted that "there are cases in which preliminary injunctive relief has been held barred by laches . . . [citations omitted]," *Selchow & Righter Co. v. Book-of-the-Month Club, Inc.*, 192 U.S.P.Q. 530, 532 (S.D.N.Y.1976) (action for trademark and copyright infringement, unfair competition and trademark dilution); *see Saratoga Vichy Spring Co., Inc. v. Lehman*, 625 F.2d 1037, 1041 (2nd Cir. 1980) (federal trademark, unfair competition, false designation of origin); *Le Sportsac, Inc. v. Dockside Research Inc.*, 478 F.Supp. 602, 609 (S.D.N.Y.1979), "the laches defense is reserved for those rare cases where a protracted acquiescence by plaintiff induces a defendant to undertake substantial activities in reliance on the acquiescence." *McNeil Laboratories Inc. v. American Home Products Corp.*, 416 F.Supp. 804, 809 (D.N.J.1976). *See, e. g., Jenn-Air Corp. v. Penn Ventilator Co.*, 464 F.2d 48 (3rd Cir. 1972); *John Wright, Inc. v. Casper Corp.*, 419 F.Supp. 292 (E.D.Pa.1976); Callmann, § 87.3(b). In any event "laches generally is not a bar to injunctive relief against unfair competition." *Great Atlantic & Pacific Tea Co. v. A & P Trucking Corp.*, 51 N.J.Super. 412, 423, 144 A.2d 172 (App.Div.), *modified and remanded*, 29 N.J. 455, 149 A.2d 595 (1959). The equitable defense of acquiescence " '[a]s distinguished from laches, constitutes a ground for denial of relief only upon a finding of conduct on the plaintiff's part that amounted to an assurance to the defendant, express or implied, that the plaintiff would not assert his trademark rights against the defendant.' [citations omitted]" *Carl Zeiss Stiftung v. VEB Carl Zeiss Jena*, 433 F.2d 686, 704 (2nd Cir. 1970).

[5] In deciding whether the defendant has made a sufficiently strong showing of laches or acquiescence, we must examine the particular circumstances of the case. *Id.* at 703-04. *See Playboy Enterprises, Inc. v. Chuckleberry Publishing Inc.*, 486 F.Supp. 414, 434-35 (S.D.N.Y.1980). Our review of the available evidentiary sources indicates certain unsettled

facts; however, we cannot conclude that the defendant has met his burden of proving, for the purposes of this preliminary injunction motion, laches or acquiescence.

In the first place, the defendant has not made a sufficient showing of implicit or explicit consent or inexcusable delay by the plaintiff. Although there is evidence that THE BIG EL SHOW, with Larry Seth starring, has been performed since 1975 (Findings of Fact #35, #36, *supra*), Russen's application to register the mark THE BIG EL SHOW and DESIGN states that the first use of the mark was in June of 1978.

Of more importance, there is a significant question as to the "knowledge and acquiescence" of the Estate or its representatives or of Elvis Presley or his representatives. Russen stated that Presley and his manager, Col. Parker, were aware of the existence of THE BIG EL SHOW, that he, Russen, had spoken via telephone with Col. Parker, in June of 1977, and that Col. Parker had indicated that neither he nor Presley had any objection to THE BIG EL SHOW being performed or using the name THE BIG EL SHOW. (Russen Affidavit).

This purported acceptance by Parker is apparently contradicted by Parker's statement that "[a]t no time was defendant granted any rights by me, Boxcar Enterprises or anyone on behalf of Elvis Presley, to use Elvis' name, image, picture or likeness in any theatrical or entertainment endeavor." (Parker Affidavit). In addition, Joseph Hanks, a co-executor of the Estate of Elvis Presley, indicated that the Estate's files contained no reference to Russen or THE BIG EL SHOW and that neither he nor any of the co-executors authorized or approved any uses by the defendant of Elvis Presley's name or image. (Hanks Affidavit; Hanks Testimony, Tr. p. 79). Finally, as noted above, the Estate of Elvis Presley and its licensee, Factors Etc., Inc., have taken steps in addition to the present suit, to protect the rights of the Estate. The Estate did file a timely Notice of Opposition to Russen's application to register THE BIG EL SHOW and DESIGN as a service mark (Exhibit P 28; Exhibit F to Plaintiff's Memorandum in Support of the Motion for Preliminary Injunction), and Factors has instituted different legal actions.

Russen has also failed to show adequately that he was prejudiced by the delay. Although we assume Russen may have made some expenditures to produce and promote THE BIG EL SHOW and a limited number of records, Russen has failed to establish that his activities constituted the necessary prejudice. *See Alfred Dunhill of London, Inc. v. Kasser Distillers Prods. Corp.*, 350 F.Supp. 1341, 1364-68 (E.D.Pa.1972), *aff'd without opinion*, 480 F.2d 917 (3rd Cir. 1973); *Tisch Hotels, Inc. v. Americana Inn, Inc.*, 350 F.2d 609, 615 (7th Cir. 1965). *See also Jenn-Air Corp., supra.*

Since we have concluded that Russen has not made sufficient showing of laches or acquiescence by Presley or his representatives or by the Estate

of Presley to bar a preliminary injunction, we must now decide if a preliminary injunction should issue.³

III. Preliminary Injunction Standards

To prevail on a motion for a preliminary injunction, the moving party must show that it has a reasonable likelihood of eventual success in the litigation, that it will be irreparably injured *pendente lite* if relief is not granted, that a balance of equities favors the plaintiff, and that the public interest considerations support the preliminary injunction's issuance. *SK&F, Co. v. Premo Pharmaceutical Laboratories, Inc.*, 625 F.2d 1055 (3d Cir. 1980). See *Tefal, S.A. v. Products International Co.*, 186 U.S.P.Q. 545, 547-48 (D.N.J.1975), *aff'd*, 529 F.2d 495, 497 (3d Cir. 1976); *Fotomat Corp. v. Photo Drive-Thru, Inc.*, 425 F.Supp. 693, 701 (D.N.J.1977); *McNeil Laboratories, supra*. These elements will be evaluated in light of the various causes of action asserted by the plaintiff. We shall first examine the likelihood of plaintiff's success on each claim.

A. Likelihood of Success on the Merits

1. Right of Publicity

The plaintiff has asserted that the defendant's production, THE BIG EL SHOW, infringes on the right of publicity which plaintiff inherited from Elvis Presley.

[6, 7] The right of publicity⁴ is a concept which has evolved from the common law of privacy and its tort "of the appropriation, for the defendant's benefit or advantages, of the plaintiff's name or likeness."⁵ The term "right of publicity" has since come to signify the right of an individual, especially a public figure or a celebrity, to control the commercial value

³It should be noted that the existence of other persons engaging in the same behavior as the defendant, assuming such persons do in fact exist, will not preclude our issuing an injunction. It has been noted that,

Numerous cases have held that the existence of infringers other than defendant, against whom the plaintiff has not instituted legal action, is irrelevant in determining whether injunction relief should issue against the defendant. *E.g. McNeil Laboratories v. American Home Products Corp.*, 416 F.Supp. 804 (D.N.J.1976); *International Order of Job's Daughters v. Lindeburg & Co.*, 196 U.S.P.Q. 461 (N.D.Cal.1977); *United States Jaycees v. San Francisco Junior Chamber of Commerce*, 354 F.Supp. 61, 73 (N.D.Ca.1972), *aff'd*, 513 F.2d 1226 (9th Cir. 1977), and cases cited therein; see also 4 Callmann, *The Law of Unfair Competition, Trademarks and Monopolies*, § 87.3(e) at 152 (3d Ed. 1970). *Playboy Enterprises, Inc.*, 486 F.Supp. at 423 n.9.

⁴The term "right of publicity" was first coined by Judge Jerome Frank in the case of *Haelan Laboratories, Inc. v. Topps Chewing Gum, Inc.*, 202 F.2d 866, 868 (2d Cir.), *cert. denied*, 346 U.S. 816, 74 S.Ct. 26, 98 L.Ed. 343 (1953).

⁵W. Prosser, *Law of Torts*, 804 (4th ed. 1971). See, e. g., *Factors Etc., Inc. v. Pro Arts, Inc.*, 579 F.2d 215, 221 (2nd Cir. 1978).

and exploitation of his name and picture or likeness and to prevent others from unfairly appropriating this value for their commercial benefit.⁶ The idea generally underlying an action for a right of privacy, is that the individual has a right personal to him to be let alone, and thus to prevent others from invading his privacy, injuring his feelings, or assaulting his peace of mind. In contrast, underlying the right of publicity concept is a desire to benefit from the commercial exploitation of one's name and likeness.⁷

In the present case, we are faced with the following issues: a. Does a right of publicity and the concomitant cause of action for its infringement exist at common law in New Jersey; if so, does this right descend to the estate at the death of the individual? b. Assuming the existence and inheritability of a right of publicity, does the presentation of THE BIG EL SHOW infringe upon the plaintiff's right of publicity?

a. *Right of Publicity in New Jersey*

Although the courts in New Jersey have not used the term "right of publicity," they have recognized and supported an individual's right to prevent the unauthorized, commercial appropriation of his name or likeness. In the early and widely cited case of *Edison v. Edison Polyform*

⁶The right of a person, whether or not termed "right of publicity," to control the commercial value and exploitation of his or her name and likeness has received wide recognition by the courts. See, e. g., *Zacchini v. Scripps-Howard Broadcasting Co.*, 433 U.S. 562, 575-78, 97 S.Ct. 2649, 2657-2659, 53 L.Ed.2d 965 (1977); *Memphis Development Foundation v. Factors*, 411 F.Supp. 1323, 1325-26, 1330 (W.D.Tenn. 1977), *rev'd on different grounds*, 616 F.2d 956, 957-58 (6th Cir.), *cert. denied*, ____ U.S. ____, 101 S.Ct. 358, 66 L.Ed.2d 217 (1980); *Factors Etc., Inc. v. Pro Arts, Inc.*, 579 F.2d 215, 221 (2nd Cir. 1978) (Preliminary Injunction), *cert. denied*, 441 U.S. 908, 99 S.Ct. 1215, 59 L.Ed.2d 455 (1979); *Price v. Worldvision Enterprises, Inc.*, 455 F.Supp. 252 (S.D.N.Y.1978), *aff'd without opinion*, 603 F.2d 214 (2nd Cir. 1979); *Cepeda v. Swift & Co.*, 415 F.2d 1205, 1206 (8th Cir. 1969); *Haelan Laboratories, Inc. v. Topps Chewing Gum, Inc.*, 202 F.2d 866, 868 (2nd Cir.), *cert. denied*, 346 U.S. 816, 74 S.Ct. 26, 98 L.Ed. 343 (1953); *Factors Etc., Inc. v. Pro Arts, Inc.*, 496 F.Supp. 1090 (S.D.N.Y.1980); *Hicks v. Casablanca Records*, 464 F.Supp. 426 (S.D.N.Y.1978); *Ali v. Playgirl, Inc.*, 447 F.Supp. 723, 728 (S.D.N.Y.1978); *Factors Etc., Inc. v. Creative Card Co.*, 444 F.Supp. 279, 282 (S.D.N.Y.1977); *Price v. Hal Rouch Studios*, 400 F.Supp. 836, 843-46 (S.D.N.Y.1975); *Grant v. Esquire, Inc.*, 367 F.Supp. 876, 880 (S.D.N.Y.1973); *Uhlender v. Hendricksen*, 316 F.Supp. 1277, 1280-83 (D.Minn.1970); *Lugosi v. Universal Pictures Co.*, 25 Cal.3d 813, 160 Cal.Rptr. 323, 603 P.2d 425 (1979); *Guilhelmi v. Spelling-Goldberg Productions*, 25 Cal.3d 860, 160 Cal.Rptr. 352, 603 P.2d 454 (1979); *Camessa v. J. I. Kislak, Inc.*, 97 N.J. Super. 327, 335-52, 235 A.2d 62 (1967); *Edison v. Edison Polyform Mfg. Co.*, 73 N.J.Eq. 136, 67 A. 392 (1907); *Hogan v. A. S. Barnes & Co., Inc.*, 114 U.S.P.Q. 314 (Pa.Ct.Comm.Pls.Phila. Cty.1957); *Hirsch v. S. C. Johnson & Son, Inc.*, 90 Wis.2d 379, 280 N.W.2d 129 (1979).

⁷See, e. g., *Lugosi*, 25 Cal.3d at 834-44, 160 Cal.Rptr. at 335-42, 603 P.2d at 437-444 (Bird, C. J. dissenting). See also *Hogan v. A. S. Barnes & Co., Inc.*, 114 U.S.P.Q. 314, 315-16, 320 (Pa.Ct.Comm.Pls.Phila.Cty.1957). See generally Note, The Right of Publicity—Protection for Public Figures and Celebrities, 42 Brooklyn L.Rev. 327 (1976).

Mfg. Co., 73 N.J.Eq. 136, 67 A. 392 (1907), Thomas Edison sought to enjoin a company which sold medicinal preparations from using the name Edison as part of its corporate title or in connection with its business and from using his name, picture, or endorsement on the label of defendant's product or as part of the defendant's advertising. In granting the requested relief, the court concluded that:

If a man's name be his own property, as no less an authority than the United States Supreme Court says it is . . . it is difficult to understand why the peculiar cast of one's features is not also one's property, and why its pecuniary value, if it has one, does not belong to its owner rather than to the person seeking to make an unauthorized use of it.

Id. at 141. This idea that an individual has a property right in his name and likeness was reemphasized in *Ettore v. Philco Television Broadcasting Corporation*, 229 F.2d 481, 491-92 (3rd Cir.), cert. denied, 351 U.S. 926, 76 S.Ct. 783, 100 L.Ed. 1456 (1956) (interpreting New Jersey law) and *Canessa v. Kislak*, 97 N.J.Super. 327, 235 A.2d 62 (Law Div.1967). Cf. *Palmer v. Schonhorn*, 96 N.J.Super. 72, 232 A.2d 458 (Ch.1967). (The court did not characterize the right as property. However, the court held:

that although the publication of biographical data of a well-known figure does not *per se* constitute an invasion of privacy, the use of that same data [as well as the name] for the purpose of capitalizing upon the name by using it in connection with a commercial project other than the dissemination of news or articles or biographies does.

Id. at 79, 232 A.2d 458.) Judge Lynch in his thoughtful opinion in *Canessa* initially found that "in the concept of 'right of privacy' there is implicit the right of property, at least in the instance of an appropriation by defendant of another's likeness." 97 N.J.Super. at 339, 235 A.2d 62. After a comprehensive examination of a number of cases occurring prior to *Canessa*, Judge Lynch decided that:

Entirely apart, however, from the metaphysical niceties, the reality of a case such as we have here is, in the court's opinion, simply this: plaintiffs' names and likenesses belong to them. As such they are property. They are things of value. Defendant has made them so, for it has taken them for its own commercial benefit.

• • • • •

New Jersey has always enjoined the use of plaintiff's likeness and name on the specific basis that it was a protected property right. It is as much a property right after its wrongful use by defendant as it might be before such use.

• • • • •

We therefore hold that, insofar as plaintiffs' claim is based on the appropriation of their likeness and name for defendant's commercial benefit, it is an action for invasion of their "property" rights and not one for "injury to the person."

97 N.J.Super. at 351-52, 235 A.2d 62.

[8, 9] In following the approach taken by pre-1968 cases evaluating New Jersey law, we conclude that, today, a New Jersey court would allow a cause of action for infringement of a right of publicity. In addition, this right, having been characterized by New Jersey courts as a property right, rather than as a right personal to and attached to the individual, is capable of being disassociated from the individual and transferred by him for commercial purposes.⁸ We thus determine that during his life Elvis Presley owned a property right in his name and likeness which he could license or assign for his commercial benefit.

In deciding whether the right of publicity survived Presley's death, we are persuaded by the approach of other courts which have found the right of publicity to be a property right. These courts have concluded that the right, having been exercised during the individual's life and thus having attained a concrete form, should descend at the death of the individual "like any other intangible property right." *Factors Etc., Inc. v. Creative Card Co.*, 444 F.Supp. 279, 284 (S.D.N.Y.1977).⁹ As Chief Justice Bird of the California Supreme Court has explained:

... granting protection after death provides an increased incentive for the investment of resources in one's profession, which may augment the value of one's right of publicity. If the right is descendible, the individual is able to transfer the benefits of his labor to his immediate successors and is assured that control over the exercise of the right can be vested in a suitable beneficiary. "There is no reason why, upon a celebrity's death, advertisers should receive a windfall in the form of freedom to use with impunity the name or likeness of the deceased celebrity who may have worked his or her entire life to attain celebrity status. The financial benefits of that labor should go to the celebrity's heirs. . . ." [citations omitted].

Lugosi, 25 Cal.3d at 846, 160 Cal.Rptr. at 344, 603 P.2d at 446 (Bird, C. J., dissenting). Following the line of reasoning in the above cases, we hold that Elvis Presley's right of publicity survived his death and became part of Presley's estate.¹⁰

⁸See, e. g., *Factors Etc., Inc. v. Pro Arts. Inc.*, 579 F.2d 215, 220-21 (2nd Cir. 1978), cert. denied, 440 U.S. 908, 99 S.Ct. 1215, 59 L.Ed.2d 455 (1979); *Cepeda v. Swift & Co.*, 415 F.2d 1205, 1206 (8th Cir. 1969); *Hicks v. Casablanca Records*, 464 F.Supp. 426, 429-30 (S.D.N.Y.1978); *Price v. Hal Roach Studios, Inc.*, 400 F.Supp. 836, 843-46; *Uhlaender v. Hendricksen*, 316 F.Supp. 1277, 1282 (D.Minn.1970); Cf. *Lugosi v. Universal Pictures*, 25 Cal.3d 813, 832-49, 160 Cal.Rptr. 335-45, 603 P.2d 437-447 (1979) (Bird, C. J., dissenting) (Bela Lugosi could have created a property right by exploiting his name or likeness during his lifetime. *Id.* at 326-28.) *Contra Memphis Development Foundation v. Factors*, 616 F.2d 956, 958-60 (6th Cir.), cert. denied, ____ U.S. ____, 101 S.Ct. 358, 66 L.Ed.2d 217 (1979).

⁹See cases cited in note 8, *supra*. See generally, *Felcher & Rubin*, The Descendibility of the Right of Publicity: Is There Commercial Life After Death?, 89 Yale L.J. 1125 (1980); Gordon, Right of Property in Name, Likeness, Personality and History, 55 N.W.L.Rev. 553 (1960); Note, Descent of the Right of Publicity, 29 Hast.L.J. 751 (1978); Note, The Right of Publicity - Protection for Public Figures and Celebrities, 42 Brooklyn L.Rev. 527 (1976). Cf.

b. *Theatrical Imitations and The Right of Publicity*

[10] Having found that New Jersey supports a common law right of publicity, we turn our attention to a resolution of whether this right of publicity provides protection against the defendant's promotion and presentation of THE BIG EL SHOW. In deciding this issue, the circumstances and nature of defendant's activity, as well as the scope of the right of publicity, are to be considered. In a recent law journal article, the authors conducted an extensive and thorough analysis of the cases and theories bearing on media portrayals, *i.e.*, the portrayal of a real person by a news or entertainment media production. Felcher & Rubin, Privacy, Publicity, and the Portrayal of Real People by the Media, [hereinafter "Portrayal"] 88 Yale L.J. 1577, 1596 (1979). They concluded that "[t]he primary social policy that determines the legal protection afforded to media portrayals¹¹ is based on the First Amendment guarantee of free speech and press." *Id.* at 1596. Thus, the purpose of the portrayal in question must be examined to determine if it predominantly serves a social function valued by the protection of free speech. If the portrayal mainly serves the purpose of contributing information, which is not false or defamatory, to the public debate of political or social issues or of providing the free expression of creative talent which contributes to society's cultural enrichment,¹² then the portrayal generally will be immune from liability. If, however, the portrayal functions primarily as a means of commercial exploitation, then such immunity will not be granted. *See generally*

Zacchini v. Scripps-Howard Broadcasting Co., 433 U.S. 562, 576, 97 S.Ct. 2849, 2857-2858, 53 L.Ed.2d 965 (1978) (Analogizing the right of publicity to patent and copyright law).

¹⁰As in *Factors Etc., Inc. v. Pro Arts, Inc.*, 579 F.2d 215, 222 at n.11 (2nd Cir. 1978), we "need not, and therefore do not, decide whether the right would survive the death of the celebrity if not exploited during the celebrity's life" since Presley exercised the right to commercially exploit his name and likeness during his life. Presley's name and likeness were exploited through contracts and licenses in connection with Elvis Presley entertainment, including live musical performances, movies, records and television performances, and consumer products such as jewelry and t-shirts.

Since we are not directly faced with the issue of whether there should be a durational limit on the right of publicity after it is inherited, we will not decide this question. However, the court suggests that a length of time should be set by the New Jersey State legislature. The Federal Copyright Act, 17 U.S.C. §§ 302, 305 provides guidelines which may be informative in this situation.

¹¹The authors have attempted to collapse the concepts of right of privacy and right of publicity for the particular situation of media portrayals. The court has decided not to follow this merger idea and, as noted in the prior section, will treat the right of publicity, the commercial appropriation of an individual's name and likeness, as a doctrine distinct from the right of privacy.

¹²As the authors note, "[t]he second function may not be as uniformly accepted as the first, but most commentators include it among the social purposes that the First Amendment serves. . . ." *Id.* at 1597. For a more detailed discussion of the social functions served by freedom of speech, *see e.g.*, the authorities cited in Portrayal at 1597, n.93-95.

Portrayal, *supra*, at 1596-99.¹³

The idea that the scope of the right of publicity should be measured or balanced against societal interests in free expression has been recognized and discussed in the case law¹⁴ and by other legal commentators.¹⁵ In general, in determining whether a plaintiff's right of publicity can be invoked to prevent a defendant's activity, the courts have divided along the lines set out above. In cases finding the expression to be protected, the defendant's activity has consisted of the dissemination of such information as "thoughts, ideas, newsworthy events, . . . matters of public interest,"¹⁶ *Rosemont Enterprises, Inc. v. Random House, Inc.*, 58 Misc.2d 1, 6, 294 N.Y.S.2d 122, 129 (Sup.Ct.1968), *aff'd mem.*, 32 App. Div.2d 892, 301 N.Y.S.2d 948 (1969) (biography of Howard Hughes) and fictionalizations.¹⁷ The importance of protecting fictionalizations and related

¹³The authors also discuss other, albeit less important, policies bearing on media portrayals. These policies focus on the harm to the plaintiff and include: the protection of the freedom of the individual against the disclosure of certain types of information; the prevention of fraudulent business practices; and that of encouraging individual achievement by allowing people to profit from their own efforts. *Id.* at 1599-1601. These three policies emphasize that a showing of identifiable harm, either noneconomic or economic, supports recovery for unauthorized media portrayals where the portrayal is predominantly exploitative and not protected by First Amendment considerations. *Id.* at 1608-16.

Taking the two sets of principles (First Amendment concerns and identifiable harm) into account, the authors have proposed a two-step process whereby:

The first step is to determine whether the portrayal in question is exploitative [in that it does not serve a recognized social function of an informative or cultural nature]. If the portrayal is found to be exploitative, the next step is to determine whether the plaintiff has suffered any identifiable harm, of either an economic or dignitary nature.

Id. at 1620.

We have not incorporated the harm element into our determination of likelihood of success on the merits. However, we have discussed the need for identifiable harm in the section, *infra*, on irreparable injury and the right of publicity.

¹⁴*See, e.g., Zacchini v. Scripps-Howard Broadcasting Co.*, 433 U.S. 562, 569-79, 97 S.Ct. 2849, 2854-2859, 53 L.Ed.2d 965 (1977); *Factors Etc., Inc. v. Pro Arts, Inc.*, 579 F.2d at 222. *Hicks v. Casablanca Records*, 464 F.Supp. 426, 430-33 (S.D.N.Y.1978); *Grant v. Esquire, Inc.*, 367 F.Supp. 876, 881 (S.D.N.Y.1973); *Guglielmi v. Spelling-Goldberg Productions*, 25 Cal.3d 860, 160 Cal.Rptr. 352, 355-62, 603 P.2d 454, 457-464 (1979) (Bird, C. J., concurring); *Frosch v. Grosset & Dunlap, Inc.*, 75 A.D.2d 768, 427 N.Y.S.2d 828, 829 (App.Div.1980); *Rosemont Enterprises, Inc. v. Random House, Inc.*, 58 Misc.2d 1, 294 N.Y.S.2d 122, 129 (Sup.Ct.1968), *aff'd mem.*, 32 A.D.2d 892, 301 N.Y.S.2d 948 (1969); *Current Audio, Inc. v. RCA Corp.*, 71 Misc.2d 831, 337 N.Y.S.2d 949, 954-56 (Sup.Ct.1972). *Cf. Palmer v. Schonhorn Enterprises, Inc.*, 96 N.J.Super. 72, 78, 232 A.2d 458 (1968) (Although not referring explicitly to the First Amendment, the court discussed similar constraints on the use of a famous person's name and likeness).

¹⁵Comment, Felcher & Rubin, *The Descendibility of the Right of Publicity: Is There Commercial Life After Death?*, 89 Yale L.J. 1125, 1127-29 (1980); Note, *Lugosi v. Universal Pictures*, *Descent of the Right of Publicity*, 29 Hastings L.J. 751, 769-72 (1978); Note, *Human Cannonballs and the First Amendment: Zacchini v. Scripps-Howard Broadcasting Co.*, 30 Stanford L.Rev. 1185 (1978); Note, *The Right of Publicity-Protection for Public Figures and Celebrities*, 42 Brooklyn L.Rev. 527, 549-57 (1976).

efforts as against rights of publicity was explained by Chief Justice Bird of the California Supreme Court:

¹⁶See, e.g., *Current Audio, Inc. v. RCA Corp.*, 71 Misc.2d 831, 837, 337 N.Y.S.2d 949, 954-56 (Sup.Ct.1972) ("First Amendment protects the discussion and reproduction on an Elvis Presley press conference on a 'talking magazine,' i.e., a mixed medium that combines written material with a stereo record, as well as the picture of Elvis on the back cover.") (In discussing the scope of protected material, the court explained that "The scope of the subject matter which falls within the protected area of the 'newsworthy' or of 'public interest' extends far beyond the dissemination of news in the sense of current events and includes all types of factual, educational and historical data, or even entertainment and amusement. . . ." *Id.* 337 N.Y.S.2d at 955); *Paulsen v. Personality Posters, Inc.*, 59 Misc.2d 444, 299 N.Y.S.2d 501 (Sup.Ct.1968). See also *Frosch v. Grosset & Dunlap, Inc.*, 75 A.D.2d 768, 427 N.Y.S.2d 828 (App.Div. 1980) (Concerning suit by Executor of the Estate of Marilyn Monroe against writer and publisher of the book "Marilyn" which was written and published some years after Monroe's death. The court perhaps took an overly expansive view of the right of expression as against a right of publicity:

We think it does not matter whether the book is properly described as a biography, a fictional biography, or any other kind of literary work. It is not for a court to pass on literary categories, or literary judgment. It is enough that the book is a literary work and not simply a disguised commercial advertisement for the sale of goods or services. The protection of the right of free expression is so important that we should not extend any right of publicity, if such exists, to give rise to a cause of action against the publication of a literary work about a deceased person.

Id. 427 N.Y.S.2d at 829; *Donohue v. Warner Bros. Pictures Distributing Corp.*, 2 Utah 2d 256, 272 P.2d 177 (1954).

¹⁷See *Hicks v. Casablanca Records*, 464 F.Supp. 426 (S.D.N.Y.1978). In *Hicks*, the heir and assignees of the late Agatha Christie, the acclaimed mystery writer, sought to enjoin the distribution of the motion picture and the book *Agatha*. After evaluating the works, the court found that they were fictional and not biographical, and the inclusion of the few "facts" did not result in the works being "'newsworthy'" or historical or "'fair comment.'" *Id.* at 431. Even though the works were fictional, the court concluded that the First Amendment protection of speech usually accorded novels and movies outweighed whatever publicity rights the plaintiffs may have possessed since there were no deliberate falsifications or attempts by defendant "to present the disputed events as true." *Id.* at 433. Accordingly, the court held that "the right of publicity does not attach . . . where a fictionalized account of an event in the life of a public figure is depicted in a novel or a movie, and in such public novel or movie it is evident to the public that the events so depicted are fictitious." *Id.* at 433. See also *Guglielmi v. Spelling-Goldberg Productions*, 25 Cal.3d 860, 160 Cal.Rptr. 352, 603 P.2d 454 (1979) (Bird, C. J. concurring), (In *Guglielmi* the nephew and heir to Rudolph Valentino sued defendants for their production and televising of a "fictionalized version" of the life of the silent screen star. In her opinion concurring in the denial of relief, *Id.* 25 Cal.3d at 860-76, 160 Cal.Rptr. at 353-63, 603 P.2d at 455-465, Chief Justice Bird conducted an informative analysis of the First Amendment rights which attached to the defendants' use of a celebrity's identity in a constitutionally protected medium of expression, a work of fiction on film." *Id.* 25 Cal.3d at 875, 160 Cal.Rptr. at 361, 603 P.2d at 463. She concluded that the First Amendment prevented "[a] cause of action for the appropriation of Valentino's right of publicity through the use of his name and likeness in [defendants] film. . . ." *Id.* 25 Cal.3d at 872, 160 Cal.Rptr. at 360, 603 P.2d at 462).

Contemporary events, symbols and people are regularly used in fictional works. Fiction writers may be able to more persuasively, more accurately express themselves by weaving into the tale persons or events familiar to their readers. The choice is theirs. No author should be forced into creating mythological worlds or characters wholly divorced from reality. The right of publicity derived from public prominence does not confer a shield to ward off caricature, parody and satire. Rather, prominence invites creative comment.¹⁸

Guglielmi, 25 Cal.3d at 869, 160 Cal.Rptr. at 358, 603 P.2d at 460 (Bird, C.J., concurring).

[11] On the other hand, most of those cases finding that the right of publicity, or its equivalence, prevails have involved the use of a famous name or likeness predominantly in connection with the sale of consumer merchandise¹⁹ or “solely ‘for the purposes of trade—e.g., merely to attract

¹⁸This idea of creative comment precluding a right of publicity claim can be analogized to the doctrine of fair use in the copyright law. See 17 U.S.C. § 107. Although the right of publicity is not the same as a right in a copyright, there are similarities, particularly where a personality's likeness or name is closely connected with a distinctive style of performance. In some respects this situation is similar to a copyright in a character. See *Walt Disney Productions v. Air Pirates*, 581 F.2d 751 (9th Cir. 1978). The relation of the right of publicity to copyright has been noted by the Supreme Court in *Zacchini v. Scripps-Howard*, 433 U.S. 562, 573, 575–77, 97 S.Ct. 2489, 2857–2858, 53 L.Ed.2d 965 (1976).

The doctrine of fair use may provide guidance as to what types of uses of a name or likeness should be allowed. Fair use has been described as a “privilege” in others than the owner of a copyright to use the copyrighted material in a reasonable manner without his consent, notwithstanding the monopoly granted to owner. . . .” Ball, Copyright and Literary Property 260 (1944). (Quoted approvingly in *Rosemont Enterprises, Inc. v. Random House, Inc.*, 366 F.2d 303, 306 (2nd Cir. 1966). As a general proposition, fair use cannot be invoked unless there is a substantial similarity between the two works in question. See Nimmer on Copyright, § 13.05[A] (1979). Once this barrier is overcome, the purpose for which the work is being used is considered. The defense of fair use has been allowed in connection with news reporting, criticism and review, satire, parody and burlesque. Id. at §§ 13.05[B], [C]. In addition to evaluating the function, the court also looks to “the effect of the use upon the potential market for or value of the copyrighted work.” 17 U.S.C. § 107(4). See Nimmer, *supra* § 13.05[B].

¹⁹See, e.g., *Factors Etc., Inc. v. Pro Arts, Inc.*, *supra* (Elvis Presley posters); *Factors Etc., Inc. v. Creative Card Co.*, 444 F.Supp. 279, 284–85 (S.D.N.Y.1977) (Elvis Presley posters; distinguished from *Paulsen*, *supra*); *Memphis Development Foundation v. Factors Etc., Inc.*, 441 F.Supp. 1323 (W.D.Tenn.1977) (pewter replicas of a statue of Elvis Presley), *rev'd on other grounds*, 616 F.2d 956 (6th Cir.), *cert. denied*, ___ U.S. ___, 101 S.Ct. 358, 66 L.Ed.2d 217 (1980); *Lombardo v. Doyle, Dane & Bernbach, Inc.*, 58 A.D.2d 620, 396 N.Y.S.2d 661, 664–65 (App.Div.1977) (automobile commercial on television); *Rosemont Enterprises, Inc. v. Urban Systems, Inc.*, 72 Misc.2d 788, 789–90, 340 N.Y.S.2d 144, 145–46 (Sup.Ct.), *modified*, 42 App. Div.2d 544, 345 N.Y.S.2d 17 (App.Div.1973) (“Howard Hughes” game which included Hughes’ name and other biographical information); *Palmer v. Schonhorn Enterprises, Inc.*, 96 N.J.Super. 72, 232 A.2d 458 (Ch.1967) (names and biographies of famous golfers as part of board game). Cf. *Guglielmi*, 25 Cal.3d at 874–76, 160 Cal.Rptr. at 361, 603 P.2d at 463 (Bird, C. J., concurring) (pointing out that commercial products, such as plastic toys, soap products, target games, etc., “unlike motion pictures, are not vehicles through which ideas and opinions are regularly disseminated.” Thus, the use of the individual’s likeness or name in connection with the sale of such commercial products would not normally be considered an expression entitled to constitutional protection.

attention.’ [without being artistic, informational or newsworthy] *Grant v. Esquire, Inc.*, 367 F.Supp. 876, 881 (S.D.N.Y.1973) [unauthorized use of photo of Cary Grant in fashion article].” *Ali v. Playgirl, Inc.*, 447 F.Supp. 723, 727, 728–29 (S.D.N.Y.1978) (unauthorized drawing of nude man, recognizable as Muhammad Ali, seated in corner of boxing ring). In these cases, it seems clear that the name or likeness of the public figure is being used predominantly for commercial exploitation, and thus is subject to the right of publicity. As the court in *Palmer v. Schonhorn, supra*, noted, “While one who is a public figure or is presently newsworthy may be the proper subject of news or informative presentation, the privilege does *not extend to commercialization of his personality through a form of treatment distinct from the dissemination of news or information.*” *Id.* 96 N.J.Super. at 78, 232 A.2d 458 quoting *Gautier v. Pro-Football, Inc.*, 304 N.Y. 354, 359 (1952) (emphasis added by Palmer court).

[12] In the present case, the defendant’s expressive activity, THE BIG EL SHOW production, does not fall clearly on either side. Based on the current state of the record, the production can be described as a live theatrical presentation or concert designed to imitate a performance of the late Elvis Presley.²⁰ The show stars an individual who closely resembles Presley and who imitates the appearance, dress, and characteristic performing style of Elvis Presley. The defendant has made no showing, nor attempted to show, that the production is intended to or acts as a parody, burlesque, satire, or criticism of Elvis Presley.²¹ As a matter of fact, the show is billed as “A TRIBUTE TO ELVIS PRESLEY.” In essence, we

²⁰In addition to the production itself, the defendant has utilized advertising and promotional material in connection with the production. Some of the advertisements incorporate the name Elvis Presley and an artist’s rendering of a person which, to the reasonable viewer appears to be of Elvis Presley. If the production is found to be protected, certain advertising should be allowed to properly inform the public as to the contents of the show. *See, e.g., Guglielmi*, 25 Cal.3d at 871–72, 160 Cal.Rptr. at 360, 603 P.2d at 462 (Bird, C. J., concurring; *Murray v. New York Magazine Co.*, 27 N.Y.2d 406, 318 N.Y.S.2d 474, 267 N.E.2d 256 (1971). The defendant has also sold, albeit in a small amount, records on which an image resembling Elvis Presley appears. We have examined the defendant’s advertising and use of the likeness of Presley on records in greater detail in the sections, *infra*, on Unfair Competition and § 45(a) of the Lanham Act.

²¹Using an analogy to copyright law and the doctrine of fair use, *see* note 18, *supra*, a parody, burlesque, satire or critical review might be allowed because of their “historic importance and social value,” *Berlin v. E. C. Publications, Inc.*, 329 F.2d 541, 544 (2nd Cir. 1964) and because of their contribution to society “both as entertainment and as a form of social and literary criticism.” *Id.* at 545. *See Elsmere Music, Inc. v. National Broadcasting Co.*, 482 F.Supp. 741 (S.D.N.Y.), *aff’d*, 623 F.2d 252 (2nd Cir. 1980). Unlike a copier, a parodist or satirist adds his own new and creative touches to the original work, which, in this case, would be the likeness of Elvis Presley as he is performing. The original work basically becomes part of a new and different work which derives its popularity from the added creative elements. The original work, or the likeness of Elvis Presley, is being used in a different manner and for a different purpose. *See generally*, Nimmer, *supra*, §§ 13.05[B], [C].

confront the question of whether the use of the likeness of a famous deceased entertainer in a performance mainly designed to imitate that famous entertainer's own past stage performances is to be considered primarily as a commercial appropriation by the imitator or show's producer of the famous entertainer's likeness or as a valuable contribution of information or culture. After careful consideration of the activity, we have decided that although THE BIG EL SHOW contains an informational and entertainment element, the show serves primarily to commercially exploit the likeness of Elvis Presley without contributing anything of substantial value to society.²² In making this decision, the court recognizes that certain factors distinguish this situation from the pure commercial use of a picture of Elvis Presley to advertise a product. In the first place, the defendant uses Presley's likeness in an entertainment form and, as a general proposition, "entertainment . . . enjoys First Amendment protection" *Zacchini v. Scripps-Howard Broadcasting Co.*, 433 U.S. 562, 578, 97 S.Ct. 2849, 2859, 53 L.Ed.2d 965 (1977). See, e.g., *Southeastern Promotions, Ltd. v. Conrad*, 420 U.S. 546, 557-58, 95 S.Ct. 1239, 1246, 43 L.Ed.2d 448 (1975) (the musical play "Hair"); *Joseph Burstyn, Inc. v. Wilson*, 343 U.S. 495, 501, 72 S.Ct. 777, 780, 96 L.Ed. 1098 (1952) (the motion picture "The Miracle"); *Goldstein v. Town of Nantucket*, 477 F.Supp. 606, 608 (D.Mass.1979) (public performance of Nantucket's traditional folk music). However, entertainment that is merely a copy or imitation, even if skillfully and accurately carried out, does not really have its own creative component and does not have a significant value as pure entertainment.²³ As one authority has emphasized:

The public interest in entertainment will support the sporadic, occasional and good faith imitation of a famous person to achieve humor, to effect criticism or to season a particular episode, but it does not give a privilege to appropriate another's valuable attributes on a continuing basis as one's own without the consent of the other.

Netterville, "Copyright and Tort Aspects of Parody, Mimicry and Humorous Commentary," 35 S.Cal.L.Rev. 225, 254 (1962).

²²Our decision does not foreclose the defendants from supplementing the record at the time of trial with further information bearing on the nature of his production.

²³The cessation of individual expression which merely copies or imitates another's likeness or expression does not really impinge on the First Amendment value of self-fulfillment or self-expression as espoused by Emerson, who has explained that:

. . . expression is an integral part of the development of ideas, of mental exploration and of the affirmation of self. The power to realize his potentiality as a human being begins at this point and must extend at least this far if the whole nature of man is not to be thwarted. Hence suppression of belief, opinion and expression is an affront to the dignity of man, a negation of man's essential nature." (Emerson [Toward A General Theory Of The First Amendment (1963)] 72 Yale L.J. at p. 879).

Quoted at *Guglielmi v. Spelling-Goldberg Productions*, 25 Cal.3d 960, 160 Cal.Rptr. 352, 357, 603 P.2d 454, 459 (1979) (Bird, C.J., concurring).

In the second place, the production does provide information in that it illustrates a performance of a legendary figure in the entertainment industry. Because of Presley's immense contribution to rock 'n roll, examples of him performing can be considered of public interest. However, in comparison to a biographical film or play of Elvis Presley or a production tracing the role of Elvis Presley in the development of rock 'n roll, the information about Presley which THE BIG EL SHOW provides is of limited value.

This recognition that defendant's production has some value does not diminish our conclusion that the primary purpose of defendant's activity is to appropriate the commercial value of the likeness of Elvis Presley. Our decision receives support from two recent cases. In *Price v. Worldvision Enterprises, Inc.*, 455 F.Supp. 252 (S.D.N.Y. 1978), *aff'd without opinion*, 603 F.2d 214 (2nd Cir. 1979), the court found that the protection of the right of publicity could be invoked by the widows and beneficiaries, respectively, of Oliver Hardy and Stanley Laurel to enjoin the production or distribution of a television series entitled "Stan 'n Ollie," wherein two actors would portray the comedians Laurel and Hardy. Although the facts bearing on the content of the program are not entirely clear, it appears that the show was to be based on old Laurel and Hardy routines which the comedy team performed during their careers and was not a biographical portrayal of the lives of the two men. In this regard, the court can be deemed to have decided that an inherited "right of publicity" can be invoked to protect against the unauthorized use of the name or likeness of a famous entertainer, who is deceased, in connection with an imitation, for commercial benefit, of a performance of that famous entertainer.²⁴

In *Zacchini v. Scripps-Howard Broadcasting Co.*, 433 U.S. 562, 97 S.Ct. 2849, 53 L.Ed.2d 965 (1977)²⁵ the Supreme Court addressed a situation which implicated both a performer's right of publicity and the First Amendment.²⁶ The Court held that the First Amendment did not prevent a

²⁴It has been noted that the *Price* court's decisions as to prohibited imitations are "not conclusive . . . since the issue was raised in the context of a res judicata discussion, and the First Amendment implications were never considered." Portrayal, *supra*, 88 Yale L.J. at 1606 n.130.

²⁵The Court cites *Ettore v. Philco Television Broadcasting Corp.*, 229 F.2d 481 (3rd Cir.), *cert. denied*, 351 U.S. 926, 76 S.Ct. 783, 100 L.Ed. 1456 (1956) as an example of a case recognizing the right to control the commercial value in a name. 433 U.S. at 572 n.9, 97 S.Ct. at 2856 n.9. The Court quotes the following language from *Ettore*:

"The fact is that, if a performer performs for hire, a curtailment, without consideration, of his right to control his performance is a wrong to him. Such a wrong vitally affects his livelihood, precisely as a trade libel, for example, affects the earnings of a corporation." *Id.* at 572 n.9, 97 S.Ct. at 2856 n.9.

²⁶For a more detailed examination of the *Zacchini* case see Comment, Privacy, Appropriation, and the First Amendment: A Human Cannonball's Rather Rough Landing, 579 B.Y.U.L. Rev. 579 (1977); Note, Human Cannonballs and the First Amendment; *Zacchini v. Scripps-Howard Broadcasting Co.*, 30 Stanford L.Rev., 1185 (1978).

state from deciding that a television news show's unauthorized broadcast of a film showing plaintiff's "entire act," a fifteen second human cannonball performance, infringed plaintiff's right of publicity.

In reaching its conclusion, the Court reasoned that "[t]he broadcast of [the] film of petitioner's entire act poses a substantial threat to the economic value of that performance," *id.* at 576, 97 S.Ct. at 2857-2858; that

the broadcast of petitioner's entire performance, unlike the unauthorized use of another's name for purposes of trade or the incidental use of a name or picture by the press, goes to the heart of petitioner's ability to earn a living as an entertainer. Thus, in this case, Ohio has recognized what may be the strongest case for a "right of publicity"—involving, not the appropriation of an entertainer's reputation to enhance the attractiveness of a commercial product, but the appropriation of the very activity by which the entertainer acquired his reputation in the first place.

Id. at 576, 97 S.Ct. at 2857-2858; and that the "protection [of the right of publicity] provides an economic incentive for the performer to produce a performance of interest to the public." *Id.*

[13] In the present case, although the defendant has not shown a film of an Elvis Presley performance, he has engaged in a similar form of behavior by presenting a live performance starring an imitator of Elvis Presley. To some degree, the defendant has appropriated the "very activity [live stage show] by which [Presley initially] acquired his reputation . . . " *id.* at 576, 97 S.Ct. at 2857-2858, and from which the value in his name and likeness developed. The death of Presley diminishes the impact of certain of the court's reasons, especially the one providing for an economic incentive to produce future performances. However, through receiving royalties, the heirs of Presley are the beneficiaries of the "right of the individual to reap the reward of his endeavors." *Id.* at 573, 97 S.Ct. at 2856. Under the state's right of publicity, they are entitled to protect the commercial value of the name or likeness of Elvis Presley from activities such as defendant's which may diminish this value.

[14] We thus find that the plaintiff has demonstrated a likelihood of success on the merits of its right of publicity claim with respect to the defendant's live stage production. In addition, we find this likelihood of success as to the defendant's unauthorized use of Elvis Presley's likeness on the cover or label of any records or on any pendants which are sold or distributed by the defendant.²⁷

²⁷The court also notes that the unauthorized use of the name or likeness of Elvis Presley in connection with any advertising or promotional materials for THE BIG EL SHOW production or for records or pendants would likely constitute an infringement of plaintiff's right of publicity.

2. Common Law Trademark or Service Mark Infringement

[15, 16] Since the plaintiff does not assert any Federal or State of New Jersey trademark or service mark registrations, any trademark or service mark²⁸ infringement claims are governed by the common law, which provided the basis for and essentially parallels the protection provided by the Federal or State statutory schemes.²⁹ See *Dallas Cowboys Cheerleaders v. Pussycat Cinema*, 604 F.2d 200, 203 n.3 (2nd Cir. 1979); *Scott Paper Co. v. Scott's Liquid Gold, Inc.*, 589 F.2d 1225, 1228 (3rd Cir. 1978); *House of Westmore v. Denney*, 151 F.2d 261, 265 (3rd Cir. 1945); *Caesars World, Inc. v. Caesar's Palace*, 490 F.Supp. 818, 823 (D.N.J.1980); *D. C. Comics, Inc. v. Powers*, 465 F.Supp. 843, 846 (S.D.N.Y.1978), *aff'd on reargument*, 482 F.Supp. 494 (S.D.N.Y.1979). In order to prevail on a statutory or common law trademark or service mark infringement claim, the plaintiff must establish that the names or symbols are valid, legally protectible trademarks or service marks; that they are owned by the plaintiff; and that the defendant's subsequent use of the same or similar marks to identify goods or services is infringing, *i.e.*, is likely to create confusion as to the origin of the goods or services. See, *e.g.*, *Scott Paper Co., supra*; *Perfect-form Corp. v. Perfect Brassiere Co., Inc.*, 256 F.2d 736 (3rd Cir. 1958); *Caesars World, Inc., supra*; *Fotomat Corp., supra*; *Time Mechanisms, Inc., supra*. Actions for trademark [or service mark] infringement serve both to protect the "right of the public to be free of confusion and the synonymous right of a trademark [or service mark] owner to control his product's [or service's] reputation." *James Burrough, Ltd. v. Sign of Beefeater, Inc.*, 540 F.2d 266, 274 (7th Cir. 1976), *rev'd on retrial*, 572 F.2d 574 (7th Cir. 1978).

Plaintiff asserts that Elvis Presley, during his lifetime, created and owned valid trademarks or, more specifically, service marks for musical entertainment services in the names of ELVIS, ELVIS PRESLEY, and THE KING, the phrase ELVIS (or ELVIS PRESLEY) IN CONCERT, the logo composed of the letters TCB and lightning bolt design, and the likeness of Elvis Presley, and that these marks were all legally protectible. After Presley's death the rights in these marks were acquired by the plaintiff, which is entrusted with the preservation and management of the property and rights of the decedent, Elvis Presley, for the benefit of Presley's

²⁸Service mark infringement is governed by the general principles applicable to trademark infringement. *Boston Professional Hockey Ass'n v. Dallas Cap & Emblem Mfg., Inc.*, 510 F.2d 1004 (5th Cir.), *cert. denied*, 423 U.S. 868, 96 S.Ct. 132, 46 L.Ed. 98 (1975); *Fotomat Corp. v. Photo Drive-Thru, Inc.*, 425 F.Supp. 693, 703 (D.N.J.1977).

²⁹"The ownership of a federal [or state] trademark registration simply supplements the rights accorded at common law which stem from the ownership of a trademark." *Time Mechanisms, Inc. v. Qonaar Corp.*, 422 F.Supp. 905, 911 (D.N.J.1976). "The Lanham Act provides for the registration and not the creation, of trademark rights; it assumes the pre-existence of a trademark. Trademark rights arise from use and not registration. [citation omitted]." *Id.*

heirs. The plaintiff points out that, in the fulfillment of its obligations, it has entered into a number of agreements licensing the use of the marks in various ways, including records, movies, merchandise and television performances of Presley, and that the licensees have continued to promote these trademarks, and service marks. Thus, the plaintiff claims that since the service marks or trademarks are property rights and have continued to be used to identify the musical entertainment services of Presley, these marks have been inherited by and continue to exist in the plaintiff estate. Finally, the plaintiff argues that the defendant's uses of the name THE BIG EL SHOW, the logo composed of THE BIG EL SHOW name and the likeness ostensibly of Larry Seth as he appears in THE BIG EL SHOW, the term THE KING, the initials TCB with or without a lightning bolt, and all likenesses of Elvis Presley (whether or not they are really of Larry Seth as he appears or appeared in THE BIG EL SHOW) to identify his production, constitute infringements of plaintiff's marks.

Each of plaintiff's points will be evaluated seriatim in the context of the requirements for an infringement claim.³⁰

a. *Validity of Marks*

[17, 18] A service mark is defined as "a word, name, symbol, device or any combination thereof adopted and used in the sale or advertising of services to identify the service of the entity and distinguish them from the services of others." *Caesars World, Inc.*, 490 F.Supp. at 822; 15 U.S.C. § 1127; N.J.S.A. 56:3-13.1(B). *See generally* 3 Callmann, "common law rights are acquired in a service mark by adopting and using the mark in connection with services rendered. [citations omitted]." *Caesars World, Inc.*, 490 F.Supp. at 822. Since the plaintiff is principally claiming, at the present time, that its marks identify Elvis Presley entertainment services,³¹

³⁰This analysis is being undertaken, assuming *arguendo* that the defendant has a right to present a production like THE BIG EL SHOW.

³¹Entertainment is considered a service in connection with the law of service marks. *See Miss Universe, Inc. v. Patricelli*, 408 F.2d 506 (2nd Cir. 1969); *Capetola v. Orlando*, 426 F.Supp. 616, 617 (E.D.Pa.1977). *See* N.J.S.A. 56:3-13.9(b). The service in question in this case is entertainment provided by Elvis Presley. *See, e.g., Dallas Cowboys Cheerleaders v. Pussycat Cinema*, 467 F.Supp. 366, 373 (S.D.N.Y.), *affirmed*, 604 F.2d 200 (2nd Cir. 1979) (entertainment provided by the Dallas Cowboys Cheerleaders); *Five Platters, Inc. v. Purdie*, 419 F.Supp. 372 (D.Md.1976) (singing and entertainment provided by the group The Platters); *In re Carson*, 197 U.S.P.Q. 554 (TMT & App. Bd. 1977) (entertainment services, including monologues, comedy routines and hosting guests, performed by way of personal appearances by John W. Carson). *See also Capetola*, 426 F.Supp. at 618. These entertainment services continue to exist by virtue of recordings of Presley's performances on film, videotape, audio tape, phonograph records, etc.

It should be pointed out that an Elvis Presley performance, itself, cannot be a service mark. As it has been noted, "... a service mark must not be the service itself, but rather a designation of its source." (*See Cebu Association of California, Inc. v. Santo Nino de Cebu USA, Inc.*, 95 Cal.App.3d 129, 137, 157 Cal.Rptr. 102.) *KGB, Inc. v. Giannoulas*, 104 Cal.App.3d 844, 857, 164 Cal.Rptr. 571, 583 (1980).

we will focus on the validity of the names and symbols as service marks. However, it should be noted that these marks also might be trademarks³² which identify goods, *id*, or particular products licensed by the marks' owner. See *Dallas Cowboys Cheerleaders v. Pussycat Cinema*, 467 F.Supp. 366, 373 (S.D.N.Y.), *affirmed*, 604 F.2d 200 (2nd Cir. 1979).

(1) Names

[19] The plaintiff claims that the names ELVIS, ELVIS IN CONCERT, ELVIS PRESLEY, and THE KING are valid and protectible service marks. Our review of the record indicates that the first three names have not been used only to identify a particular individual, Elvis Presley. Rather they have been used in advertising, such as for performances, concerts, and on records, to identify a service. They have appeared in close association with a clear reference (*i.e.*, IN CONCERT OR SHOW) to entertainment services of Presley. Thus, they have attained service mark status. See *Five Platters, Inc.*, *supra* (the name "The Platters" functions as a service mark to identify the services of a singing and entertainment group); *In re Carson*, *supra* (the name JOHNNY CARSON functions as a service mark to identify entertainment services rendered by John W. Carson).

With respect to the name THE KING, the plaintiff has not established this name as a valid service mark. The record reveals that Elvis Presley's nickname was The King. However, plaintiff has not presented sufficient evidence as to how the name was used to identify services, *see Hirsch v. S. C. Johnson & Son, Inc.*, 90Wis.2d 379, 280 N.W.2d 129, 138-39 (1979), and thus to function as a service mark. Of course, the plaintiff is not precluded from establishing the term THE KING as a valid service mark by presenting appropriate evidence at trial.

(2) Logo

The plaintiff has presented sufficient evidence, for the purposes of a preliminary injunction, of connection with Presley entertainment services or business, to establish the logo composed of the initials TCB with or without the lightning bolt design as a service mark. For example, the logo was used on Presley's letterhead and on business cards, *see, e.g., Re Reichold Chemicals, Inc.*, 167 U.S.P.Q. 376 (TMT & App. Bd. 1970); *Re Pierce*, 164 U.S.P.Q. 369 (TMT & App. Bd. 1970); 1 McCarthy,

³²A trademark is defined as any work, name, symbol or device or any combination thereof adopted and used to identify the goods of one party to distinguish them from those made or sold by others. 15 U.S.C. § 1127; *see, e.g. N.J.S.A. 56:3-13.1(A); Q-Tips, Inc. v. Johnson & Johnson*, 206 F.2d 144 (3rd Cir.), *cert. denied*, 346 U.S. 867, 74 S.Ct. 106, 98 L.Ed. 377 (1953).

Trademarks and Unfair Competition, § 16:11, and it appeared on the tails of Presley's airplanes. See generally *Boston Professional Hockey Ass'n, supra*; *Fotomat Corp., supra*.

(3) *Likeness and Image*

The plaintiff asserts that the likeness and image of Elvis Presley serves as a service mark; however, the available evidence does not support such a broad position. Rather, the record only supports a conclusion that a picture or illustration of Elvis Presley dressed in one of his characteristic jumpsuits and holding a microphone in a singing pose is likely to be found to function as a service mark. This particular image (hereinafter referred to as the "Elvis Pose") has appeared in promotional and advertising material for concerts and on record albums. Thus, even though the "Elvis Pose" identifies the individual performer, we find it also has been used in the advertising and sale of Elvis Presley entertainment services to identify those services. See generally *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema*, 467 F.Supp. 366 (S.D.N.Y.), *affirmed*, 604 F.2d 200 (2nd Cir. 1979). The court recognizes that the "Elvis Pose" has appeared in somewhat different forms; for example, the color of the outfit or the direction of the face has been altered. We do not find such changes to be determinative. Rather, we find the following idea persuasive reasoning for treating the "Elvis Pose" as a service mark:

"It is settled that a person may change the display of a mark at any time because whatever rights he may possess in the mark reside in the term itself rather than in any particular form or arrangement thereof. . . . The only requirement in these instances is that the mark be modified in such a fashion as to retain its trademark impact and symbolize a single and continuing commercial impression. That is, a change which does not alter its distinctive characteristics represents a continuity of trademark rights. Thus, where the distinctive character of the mark is not changed, the mark is, in effect, the same and the rights obtained by virtue of the earlier use of the prior form inure to the later form. [citations omitted]"

Ilco Corporation v. Ideal Security Hardware Corporation, 527 F.2d 1221, 1224 (C.C.P.A. 1976).

b. *Protectibility*

[20, 21] The requirements for a valid trademark or service mark to be considered protectible under the common law or the Lanham Act, depend on the characteristics of the marks themselves. Inherently distinctive trademarks or service marks, such as fanciful or arbitrary or non-descriptive, but suggestive, words and symbols, gain protected status upon their first adoption and use; while, non-inherently distinctive marks only achieve protection if the mark is shown to have secondary meaning. See

McCarthy, supra, §§ 15:1, 16:2; *Scott Paper Co v. Scott's Liquid Gold, Inc.*, 439 F.Supp. 1022, 1034 (D.De.1977), *rev'd*, 589 F.2d 1225 (3rd Cir. 1978). A trademark or service mark attains secondary meaning if the consuming public has come to recognize the mark not only as an identification of the goods or services but as a symbol indicating that the goods or services emanate from a single source, even though the identity of that source may in fact be unknown. *Id.*

[22] Of the five names or symbols found to be valid service marks, the three containing the personal names (surname or first name) of Elvis Presley, will be considered as non-inherently distinctive terms. The evidence sufficiently shows that these marks have been used for a long period of time through various promotions and uses, such as in advertising and on records (as well as in connection with certain licensed products), and have acquired a secondary meaning associated with Elvis Presley entertainment services as distinct from other entertainment services. See *Scott Paper Co.*, 589 F.2d at 1228; *Wyatt Earp Enterprises, Inc. v. Sackman, Inc.*, 157 F.Supp. 621 (S.D.N.Y.1958) (name as televised by plaintiff in television show identified with merchandise upon which name licensed to appear). Cf. *Five Platters, Inc., supra* (the name, "The Platters" developed secondary meaning connected with singing and entertainment services by widespread circulation of records, public performances, and other promotional efforts).

The mark composed of the TCB and lightning bolt logo can be characterized as inherently distinctive, since it is unique and arbitrary. See *Q-Tips, Inc., supra*; *Standard Brands, Inc. v. Smidler*, 151 F.2d 34 (2nd Cir. 1945); *Caesars World, Inc.*, 490 F.Supp. at 822-23. In the alternative, we also find that there is sufficient evidence of use of the mark in association with Elvis Presley entertainment services to show that the mark has acquired a secondary meaning of identifying the source of Presley entertainment services. Thus, the logo is protectible.

Finally, we find that there is sufficient evidence in the record for us to conclude that the particular "Elvis Pose" service mark, although perhaps a descriptive mark in that it illustrates the service, has acquired secondary meaning through its use in advertising and promoting of the entertainment services of Elvis Presley (as well as in identifying licensed products). See generally *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema*, 604 F.2d 200 (2nd Cir. 1979); *Volkswagenwerk Akg. v. Rickard*, 175 U.S.P.Q. 563 (C.D.Tex.), *affirmed*, 492 F.2d 474 (5th Cir. 1972). *Volkswagenwerk Akg. v. Rose'Vear Enterprises, Inc.*, 199 U.S.P.Q. 744 (TMT & App.Bd.1978), *affirmed*, 592 F.2d 1180 (C.C.P.A.1979).

c. Ownership

[23, 24] Trademarks and service marks are in the nature of property rights. See *Hanover Milling Co. v. Metcalf*, 240 U.S. 403, 36 S.Ct. 357, 60

L.Ed. 713 (1915). They “can be alienated like any piece of property,” McCarthy, *supra*, § 2:6; however, “unlike patents and copyrights, [they] have no existence independent of the article, service or business in connection with which the mark is used. *Id.* at § 2:7. See *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 39 S.Ct. 48, 63 L.Ed. 141 (1918). We find that after Presley’s death, the rights to use the service marks and trademarks identifying the entertainment services of Elvis Presley and the merchandise licensed by him passed to Presley’s legal representative as a part of the assets of his estate. See generally Trademarks and Tradenames, 74 Am.Jur.2d 325 (1974); *Dilworth v. Hake*, 64 S.W.2d 829, 830 (Tex.Civ.App.1933) (right to use trade name descended as part of estate to executrix.) See also *Ward-Chandler Bldg. Co. v. Caldwell*, 8 Cal.App.2d 375, 47 P.2d 758 (1935). Plaintiff through the trustee and executor of the estate, is entrusted with the preservation and management of the property and rights of the decedent for the benefit of the decedent’s heirs. Restatement of Trusts 2d § 174 *et seq.* (1957). Thus, as long as these marks continue to be used to identify Elvis Presley entertainment services, which are still available in such forms as records, video tapes, movies, and television performances, the marks will continue to exist and will not be considered abandoned. See generally McCarthy, *supra*, § 17:3; *La Societe Anonyme des Parfumes Le Galion v. Jean Patou, Inc.*, 495 F.2d 1265, 1271 (2nd Cir. 1974) (“The user who first appropriates the mark obtains an enforceable right to exclude others from using it as long as the initial appropriation and use are accompanied by an intention to continue exploiting the mark commercially.”)

[25] Although the record does not provide extensive evidence of the plaintiff’s use of the five service marks (or trademarks), we conclude that the evidence is sufficient, for the preliminary injunction motion, to find that plaintiff still owns and properly uses the marks. For example, the plaintiff has licensed the use of the TCB logo to identify Presley’s former back up band. The fact that the band previously performed with Presley is significant since there is a connection to Presley’s entertainment services. The plaintiff also continues to receive royalties from licensing agreements wherein the licensees advertise and promote the service marks or trademarks to identify Elvis Presley records, movies, merchandise and television performances. In this regard, it should be re-emphasized that the “Elvis Pose” identified earlier is the only specific image of Elvis Presley for which there is sufficient evidence in the record to qualify as a service mark or trademark.

d. *Likelihood of Confusion*

The plaintiff claims that the defendant’s uses in connection with THE BIG EL SHOW production of: the initials TCB with and without a light-

ning bolt, any artist's renderings or pictures, purportedly of Larry Seth as he appears in THE BIG EL SHOW, which resemble Elvis Presley, the name THE BIG EL SHOW, and the logo composed of the name THE BIG EL SHOW and the artist's rendering, and the term THE KING, constitute infringements of plaintiff's service marks.³³ Because we find that the term THE KING, unlike the other items, has not been used by the defendant as a mark to identify his entertainment service, we will not consider this term in the infringement claim.

[26, 27] The test for infringement of common law service marks or trademarks, which is the same as for statutorily registered marks, *see House of Westmore*, 151 F.2d at 265, is whether the defendant has made a subsequent unauthorized use of marks, which are the same or similar to those marks used by the plaintiff, in the sale or advertising of his goods or services to identify those goods or services; and the defendant's use creates a likelihood of confusion or deception as to the source of those goods or services. *See James Burrough Ltd. v. Sign of Beefeater, Inc.*, 540 F.2d 266, 275 (7th Cir. 1976); *Tefal, S.A. v. Products International Co.*, 186 U.S.P.Q. 545, 548 (D.N.J.1975), *affirmed*, 529 F.2d 495 (3rd Cir. 1976); *DeCosta v. Columbia Broadcasting System, Inc.*, 520 F.2d 499, 513-15 (1st Cir.), *cert. denied*, 423 U.S. 1073, 96 S.Ct. 856, 47 L.Ed.2d 83 (1975); *Perfectform Corporation*, 256 F.2d at 741; *Caesars World, Inc.*, 490 F.Supp. at 823; *Fotomat Corp.*, 425 F.Supp. at 703; *Time Mechanisms, Inc.*, 422 F.Supp. at 914; *Great Atlantic & Pacific Tea Co. v. A & P Trucking Corp.*, 29 N.J. 455, 149 A.2d 595 (1959); N.J.S.A. 56:3-13.11. *See generally* 3 Callmann, *supra*, § 80. The fact that Elvis Presley has died and it is undisputed that almost no one would expect to see Elvis Presley performing live in THE BIG EL SHOW does not preclude a finding of infringement. The likelihood of confusion test refers to source, and, thus, may be satisfied if the plaintiff proves that consumers viewing the defendant's marks are likely to believe that plaintiff sponsored THE BIG EL SHOW production or licensed defendant to use the marks in connection with the show or was in some other way associated or affiliated with the production. *See Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema*, 604 F.2d 200, 205 (2nd Cir. 1979); *James Burrough Ltd. v. Sign of Beefeater, Inc.*, 540 F.2d at 274.

[28] The determination of likelihood of confusion necessitates our weighing various factors including, but not necessarily limited to the

³³It should be noted that even if any of the names or terms used by the plaintiff or by the defendant qualify as trade names, *i.e.*, designations used to identify a business, vocation or occupation, *see generally* *New West Corp v. NYM Co. of California, Inc.*, 595 F.2d 1194, 1199, 1201 (9th Cir. 1979); *Great Atlantic & Pacific Tea Co. v. A & P Trucking Corp.*, 29 N.J. 455, 149 A.2d 595 (1959); Restatement of Torts, § 716 (1938); 15 U.S.C. § 1127, rather than as service marks or trademarks, the test for infringement is generally the same. *See New West Corp.*, 595 F.2d at 1201; *Great Atlantic & Pacific, supra*. Restatement of Torts, § 717.

stretch of the plaintiff's mark, the degree of similarity between the marks, the intent of the defendant in adopting the allegedly infringing mark, the similarity of products or services involved, trade channels, manners of marketing and predominant purchasers, and the evidence of actual confusion. *Q-Tips, Inc.*, 206 F.2d at 147-48; *Caesars World, Inc.*, 490 F.Supp. at 823-24; *Fotomat Corp.*, 425 F.Supp. at 703; *McNeil Laboratories, Inc. v. American Home Products Corporation*, 416 F.Supp. 804, 806 (D.N.J.1976). By applying these factors in light of our earlier findings of fact and discussions about plaintiff's marks, we have reached certain conclusions based on general comparisons applicable to all of the marks and on specific comparisons of each mark.

(1) *Strength of Plaintiff's Marks*

[29, 30] The strength or weakness of plaintiff's marks is an important consideration. In general, "strong marks are given . . . protection over a wide range of related products [or services] and variations on appearance of the mark [while] weak marks are given a narrow range of protection both as to products [or services] and as to visual variations." 1 McCarthy, *supra*, § 11:24. See *Family Circle, Inc. v. Family Circle Associates, Inc.*, 332 F.2d 534 (3rd Cir. 1964). "The term 'strength' as applied to trademarks refers to the distinctiveness of the mark, or more precisely, its tendency to identify the goods sold under the mark as emanating from a particular, although possibly anonymous, source. [citations omitted]." *McGregor-Doniger, Inc. v. Drizzle, Inc.*, 599 F.2d 1126, 1131 (2nd Cir. 1979). In view of our earlier discussion concerning the protectibility of plaintiff's marks, it is not necessary to conduct an extensive inquiry. For the purposes of this motion we find that plaintiff's service marks (ELVIS, ELVIS PRESLEY, ELVIS IN CONCERT, TCB with the lightning bolt and, to a lesser degree, without the lightning bolt, and the "Elvis Pose") have acquired great distinctiveness, in the eyes of the public and strongly identify Elvis Presley entertainment services and the source, although not necessarily known by name, of those services. See generally 1 McCarthy, *supra*, §§ 3:1-3, 11:1-24. However, we do consider the TCB logo to be somewhat weaker than the others since it has received less public exposure.

(2) *Similarity of the Marks*

[31] It is well-recognized that the greater the similarity between plaintiff's and defendant's marks, the greater the likelihood of confusion. See generally 2 McCarthy, *supra*, §§ 23:3-23:16; *Exxon Corp. v. Texas Motor Exchange of Houston*, 628 F.2d 500, 505 (5th Cir. 1980). An evaluation of similarity generally entails a comparison with respect to similarity of appearance, pronunciation, and meaning. See *Caesars World*

Inc., 490 F.Supp. at 824; 2 McCarthy, *supra*, § 23:4; Restatement of Torts, § 729(a) (1938). In the present case, appearance is the most dominant element, and similarity of appearance is determined “on the basis of the total effect of the designation, rather than on a comparison of individual features.” Restatement of Torts § 729, comment b (1938). Using these general guidelines, we reach the following conclusions.

The defendant’s first mark can be considered the initials TCB. The defendant’s logo of TCB with the lightning bolt, and, to a slightly lesser degree, without the lightning bolt, is essentially identical to plaintiff’s corresponding mark.

The second of the defendant’s marks can be characterized as any of the artist’s renderings or pictures, which are purportedly of the performer Larry Seth, as he appears in THE BIG EL SHOW, standing alone without being part of THE BIG EL SHOW logo. (See, e.g., Exhibit P. 11). We find that such pictures are highly similar to the image of Elvis Presley portrayed in the “Elvis Pose.” The use of an artist’s rendering or sketch rather than a photograph does not diminish the resemblance.

The third mark, the name THE BIG EL SHOW, which is the name of defendant’s production, is not as similar to one of the plaintiff’s marks as the first two are. The plaintiff’s marks ELVIS and ELVIS IN CONCERT provide the closest bases for comparison. Using the factors of appearance and pronunciation, we find that there is some similarity between plaintiff’s marks and defendant’s mark but the extent of similarity is less than for the first two marks. The resemblance results from the facts that the EL in THE BIG EL SHOW is the first two letters of ELVIS and, sounds similar and that the defendant’s EL appears in the same type of blocked, capital letters as does plaintiff’s ELVIS.

The fourth mark in question, and perhaps the most important, is the defendant’s logo composed of the words THE BIG EL SHOW and the artist’s rendering (Exhibit P. 28). Considering the total effect conveyed by this mark, we find there is a high degree of similarity with plaintiff’s “Elvis Pose” and a slightly lower degree of similarity with the names ELVIS and ELVIS IN CONCERT. (See discussion, *supra*). The connection in defendant’s logo of the name THE BIG EL SHOW with the picture that looks like Elvis Presley results in the letters EL being more suggestive in meaning of the marks ELVIS and ELVIS PRESLEY.

(3) Defendant’s Intent

[32] Although the intent of the defendant in adopting a mark is only one of the factors, see *Q-Tips, Inc.*, *supra*, if a plaintiff can demonstrate that a defendant adopted a mark with the intent of obtaining unfair commercial advantage from the reputation of the plaintiff, then “that fact alone ‘may be sufficient to justify the inference that there is confusing similarity.’”

Restatement of Torts § 729, comment f (1938).” *Amstar Corp. v. Domino’s Pizza, Inc.*, 615 F.2d 252 (5th Cir. 1980). See *John Wright, Inc. v. Casper Corp.*, 419 F.Supp. 292, 320 (E.D.Pa.1976). See also *Perfect-form Corporation*, 256 F.2d at 741–42.

Because of the nature of the defendant’s service, the defendant’s intent as specifically related to his marks is interwoven with his intent as to the origin and presentation of the production. We have no doubt that a reason for Russen’s starting his show was to capitalize on the popularity of Elvis Presley. It is also quite apparent that the show, the service in question, was designed to simulate or imitate a performance by Elvis Presley. The available evidence bearing on the defendant’s reasons for adopting his marks must be considered in light of the nature of the production. It is possible that producer Russen adopted his marks in order to tell the public something about the production and to promote the show. On the other hand, such marks could have been designed mainly to deceive the public and to trade on the good will associated with plaintiff’s marks.

Because the record contains a relative paucity of information bearing on defendant’s intent, it is difficult to draw many strong conclusions. Based on our review, we make the following observations as to intent. Russen was well aware of Presley’s TCB mark and adopted the same mark because of its connection to the Elvis Presley organization. See *Caesars World, Inc.*, 490 F.Supp. at 825 (defendant’s claim of innocent adoption negated by evidence of defendant’s prior awareness of plaintiff’s mark). He stated that he got the idea to use TCB as the name of his band because it is the name of Elvis Presley’s fan clubs and serves as Presley’s motto. We find that the use of TCB in connection with defendant’s production was totally unnecessary and was done only to benefit from the good will which attached to Presley and his performances and organization.

As to the name THE BIG EL SHOW and the artist’s rendering or picture of the performer Larry Seth as he appears in the show, we are unable to conclude that the defendant adopted these marks *mainly* to “bask in the reflected popularity” generated by plaintiff’s marks. See *Q-Tips, Inc.*, 206 F.2d at 147 (3rd Cir.), *cert. denied*, 346 U.S. 867, 74 S.Ct. 106, 98 L.Ed. 377 (1953). The defendant indicated that the name, THE BIG EL SHOW, was thought up by Larry Seth, the star of the production, and agreed to by the defendant Russen. The defendant also indicated that the artist’s rendering or pictures were all of Larry Seth as the BIG EL. The plaintiff has not offered any other evidence, beyond the marks themselves, to prove improper motive. We conclude that there is insufficient evidence that the defendant adopted the name or used the pictures predominantly for the purpose of misleading or deceiving the public rather than for suggesting the nature of THE BIG EL SHOW production.

(4) *Similarity of Services*

As a rule, "[t]he greater the similarity between the products and services [provided by the defendant and plaintiff], the greater the likelihood of confusion." *Exxon Corp. v. Texas Motor Exchange of Houston*, 628 F.2d 500, 505 (5th Cir. 1980). See generally Restatement of Torts § 731(e), comment d (1938). In the present case, the services of the plaintiff and of the defendant cannot be considered identical, but they are very similar. In general terms, each party's services can be described as musical entertainment provided by one singer or performer with instrumental or vocal background provided by others. There is some difference in the forms of presentation, since plaintiff's entertainment is provided mainly in the forms of records, film, video tape, and audio tape, while defendant's entertainment mainly appears as live, stage productions.³⁴ The defendant, however, has also produced records, albeit in limited numbers, of THE BIG EL SHOW. In addition, both parties have engaged in forms of licensing or sub-licensing their marks to appear on such merchandise as photographs, pendants, and buttons.

[33] A more specific reason for finding strong similarity is that both parties' entertainment services involve Elvis Presley. The plaintiff provides actual performances of Presley, while the defendant provides an imitation of an Elvis Presley performance. The fact that the plaintiff does not provide live stage performances of Presley, admittedly an impossibility due to Presley's current state, makes identical services virtually impossible and does lessen the similarity somewhat. In any event, direct competition or identity of services or products is not required to prove likelihood of confusion. *Great Atlantic & Pacific Tea Co., supra*.

See Scarves by Vera, Inc. v. Todo Imports Ltd., supra, [544 F.2d 1167 (2d Cir. 1976)] (women's scarves and apparel with women's cosmetics and fragrances); *James Burrough Ltd. v. Sign of the Beefeater, Inc., supra* (liquor with restaurant selling liquor); *Union Carbide Corp. v. Ever-Ready, Inc., supra* [531 F.2d 366 (7th Cir. 1976)] (batteries and lamps with lightbulbs and lamps); *Alfred Dunhill of London, Inc. v. Kasser Distillers Products Corp.*, 350 F.Supp. 1341 (E.D.Pa.1972), *aff'd without opinion*, 480 F.2d 917 (3rd Cir. 1973) (pipe tobacco and bar accessories with scotch whiskey).

Scott Paper Co., 589 F.2d at 1230.

³⁴However, the defendant could make a film or video-tape of THE BIG EL SHOW which conceivably could be shown on television or in the movie theatres. Under these circumstances, the form of presentation of the defendant's entertainment service would be the same as the form of the plaintiff's.

(5) *Similarity of Channels of Trade, Manners of Marketing, and Predominant Purchasers*

Similarities of channels of trade, manners of marketing, and predominant purchasers of plaintiff's and defendant's services, as well as licensed goods, increase the possibilities of confusion. See, e.g., *Exxon Corp. v. Texas Motor Exchange of Houston*, 628 F.2d at 505; *DeCosta supra*; *Schmid Laboratories v. Youngs Drug Products*, 482 F.Supp 14, 19-20 (D.N.J.1979); *Fotomat Corp., supra*; Restatement of Torts §§ 729(c), 731(c), (d), comment d (1938). The evidence in the record bearing on these factors is sketchy. By drawing some reasonable inferences from the available information and speculating on certain points, we have concluded that there is some similarity between the trade channels and marketing campaigns and that there is more similarity between the purchasers of the two services.

The enterprises of Presley, and more recently of plaintiff, have been national, including the New Jersey, Pennsylvania region, and international in scope and distribution. Since Presley's death, his performances as embodied in records and tapes have continued to be sold in major retail outlets. In addition, plaintiff's licensees and sublicensees have conducted marketing campaigns in order to sell a variety of merchandise. Plaintiff has also indicated that a movie about Presley has been filmed and will be released; however, the evidence does not reveal how much of the actual Presley performances will be included in the movie or when and where the movie will be exhibited. Plaintiff has not provided any other evidence that it is currently presenting any entertainment services in theatres or nightclubs. The plaintiff, however has introduced a license agreement allowing Presley's former band to use the TCB logo on a record and in association with personal appearances.

The defendant's show has had a much smaller and more localized market. Although THE BIG EL SHOW has appeared in different American towns and cities including Las Vegas, it basically has been localized in the Northeast generally and the New Jersey-Pennsylvania region specifically. The performances usually have been presented in smaller nightclubs, although there was an engagement at a Las Vegas hotel, and the show has been advertised on a local basis.

One particularly important aspect of the defendant's advertising is the emphasis placed on the disputed marks in the records, ads and promotional materials themselves. The picture or artist's rendering, which we have already found to have an extremely close resemblance to plaintiff's mark, is highlighted along with the name THE BIG EL SHOW, except on one of the album covers which only has a sketch of the performer. The name and the written material, such as "A TRIBUTE TO ELVIS PRESLEY," does suggest the production is a type of simulation or imita-

tion intended to honor Presley, but does not reveal the name of the star or any information as to the producer or sponsor of the show. In essence, there is nothing to negate the reasonable impression that the artist's rendering or picture is of Elvis Presley.

The marketing of limited quantities of THE BIG EL SHOW records and merchandise also appears to be on a highly localized and small scale basis. Most of the records were given away for promotional purposes. Those records which have been sold were distributed in a few stores in the New Jersey-Pennsylvania region; while the merchandise was sold mainly at THE BIG EL SHOW performances. Interestingly, Elvis Presley merchandise was also sold at THE BIG EL SHOW performances, and the evidence shows this to be the only side-by-side sale outlet of plaintiff's and defendant's products. In addition, another similarity exists in that both parties utilized a TCB logo with a lightning bolt on their stationery.

Based on the sketchy information in the record, we conclude that there is only some similarity between the marketing campaigns and the trade channels. *See DeCosta, supra.*

The similarity between the predominant purchasers is greater than that between the marketing campaigns and trade channels. Because defendant's enterprise, THE BIG EL SHOW, is a stylized imitation of an Elvis Presley performance, it seems likely that it would appeal to many of the same members of the public who are interested in and patronize plaintiff's entertainment services. These purchasers could be called members of the Elvis Presley consuming public. Of course, there are also significant areas of differences between the "customers." For example, since the defendant's production usually has been presented in nightclubs, the customers may attend mainly for the nightclub aspect and not the production; while plaintiff's services, because of their current forms of presentation, would appeal more to home entertainment consumers (but that release of the movie could extend the appeal of plaintiff's services to members of the public who patronize nightclubs and theaters.)

(6) Actual Confusion

[34] Plaintiff has not presented any evidence of actual confusion by members of the consuming public. Plaintiff has not shown, for example by survey evidence, that people seeing THE BIG EL SHOW or advertisements for it thought the production was associated with the plaintiff or with Elvis Presley entertainment services. Although showing of actual confusion could be significant, such evidence is not necessary to a finding of likelihood of confusion, *see, e. g., Amstar Corp., supra; Caesars World, Inc., 490 F.Supp. at 825; Fotomat Corp., 425 F.Supp. at 703. See generally 2 McCarthy § 23:2, particularly where the party seeks only preliminary equitable relief. See, e. g., D. C. Comics, Inc., supra.*

(7) *Likelihood of Confusion—Conclusion*

[35] In determining the existence of a likelihood of confusion, we must look through the “eyes of ‘ordinary purchasers, buying with ordinary caution,’ *McLean v. Fleming*, 96 U.S. 245, 251, 24 L.Ed. 828 (1878), including people whose purchasers are motivated by appearance and general impressions, *Dresser Industries, Inc. v. Heraeus Engelhard Vacuum, Inc.*, 395 F.2d 457, 462 (3rd Cir. 1968), *cert. denied*, 393 U.S. 934, 89 S.Ct. 293, 21 L.Ed.2d 270 (1968).” *Fotomat Corp.*, 425 F.Supp. at 703. An analysis of likelihood of confusion can be a complex process because of the variety of factors to be considered, and because of the subjective and conjectural nature inherent in the process. In formulating our final conclusions we have used the perspective of the “ordinary purchaser” as our guide in balancing the extent and strength of the similarities against those of the dissimilarities. Based both on our evaluations of defendant’s marks in light of the multiple factors and on our general sense impressions we have reached the following conclusions. The defendant’s uses of both the initials TCB with or without the lightning bolt and of any artist’s rendering or picture, which resembles the “Elvis Pose,” alone or as part of THE BIG EL SHOW logo, as service marks or trademarks, to identify the defendant’s production, records, or merchandise, create a likelihood of confusion as to source or sponsorship. Although our analysis of the various factors provides ample support for our conclusion, we are especially persuaded by the strength of plaintiff’s marks in the entertainment industry and the virtual equivalence of these two marks of the defendant with the corresponding marks of the plaintiff.

In making our decision, it is not necessary to conclude that the public be led to believe that defendant’s show is composed of actual Elvis Presley performances or is produced by the plaintiff. It is not even necessary that the public know who the plaintiff is. What is required and what we find is that the ordinary purchaser generally familiar with plaintiff’s marks is likely to believe that defendant’s show is somehow related to, associated with, or sponsored by the same people or entity that provides the actual Elvis Presley entertainment services identified by its own marks. It is not at all unreasonable for the public to believe that this entity, which is the plaintiff, the Estate of Elvis Presley, has decided to license or sponsor a form of entertainment closely related to its other entertainment services. The public, realizing that an actual Elvis Presley live stage show is now impossible, might assume that the plaintiff’s only alternative in order to enter this specific area of the entertainment field was to produce or sponsor an imitation of a real Elvis Presley performance, perhaps by using members of the actual Presley performing troupe or production staff or by supplying costumes or other official Presley items. It is also highly possible that consumers seeing the defendant’s TCB logo or the advertisements

highlighting the likeness of Elvis Presley might believe that the show is a multimedia presentation and incorporates films or recordings of actual Elvis Presley performances.

Our decisions with respect to the name THE BIG EL SHOW alone, and in association with any pictures or artist's renderings resembling the "Elvis Pose" are closer. After careful consideration of the various factors, we have concluded that the use of the name THE BIG EL SHOW by itself does not create a likelihood of confusion, but its use as part of the logo or in connection with misleading pictures does create such confusion.

By attaching the artist's rendering to the name THE BIG EL SHOW to form the logo, the defendant has gone beyond allowable bounds. The likelihood of confusion associated with the artist's rendering is not sufficiently diminished by the use of the name with it. The picture, which certainly appears to be of Elvis Presley, provides the major triggering mechanism for the appeal to the public. The purchasing public seeing the picture and the name is likely to have a very similar reaction to the logo, believing the picture to be of Elvis, as it would if the picture were presented alone. The addition of the name may help to confirm that the production is an imitation of an actual Presley performance, but it really does not dispel any confusion as to plaintiff's association with or sponsorship of the production.

[36] Thus, based on the current state of the record, we have found a likelihood of confusion with respect to the defendant's marks of TCB with or without the lightning bolt, any artist's renderings or pictures which resemble the "Elvis Pose," and the logo. The plaintiff has established the likelihood of its ultimate success on the merits of its infringement claims as to these marks. The plaintiff has not established the same likelihood as to the defendant's use of THE BIG EL SHOW, alone, as the name or mark for its production.

3. *Common Law Unfair Competition*

Plaintiff has alleged that the defendant's use of the names THE BIG EL SHOW, THE BIG EL SHOW IN CONCERT, THE KING, TCB (with or without the lightning bolt), the pictures resembling Elvis Presley and the presentation of the production imitating an Elvis Presley performance itself constitute common law unfair competition. Plaintiff claims that defendant's show, in combination with his advertising and promotion, should give rise to legal restraints because the defendant has "by unfair means usurped[ed] the goodwill and distinctive attributes of the business so constructed by [plaintiff]." *House of Westmore, Inc. v. Denney*, 151 F.2d 261, 265 (3rd Cir. 1945).

[37] The claim of common law unfair competition, which is governed in this case by New Jersey law, covers a broader spectrum of behavior than

trademark or service mark infringement. "In fact the common law of trademarks is but a part of the broader law of unfair competition." *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 413, 36 S.Ct. 357, 360 60 L.Ed. 713 (1916). Unfair competition "may be distinguished from infringement in that it does not involve the violation of the exclusive right to use a word, mark or symbol, but rather involves any violation of a right arising from the operation of an established business." *House of Westmore v. Denney*, 151 F.2d at 265. The focus in trademark litigation is on whether an alleged symbol or name functions to identify and distinguish one's goods or services and whether the usage by another of the same or similar mark is likely to confuse customers. Under unfair competition, the focus, generally, is on the buyer's likely confusion between two products or services based on an examination of everything that is likely to have an impact upon the purchaser. 1 McCarthy, Trademarks and Unfair Competition § 2:2 (1973). Many types of behavior are capable of constituting unfair competition. As one New Jersey court has noted:

... equity broadly concerns itself with the suppression of injurious deception and fraud whatever the means by which they are wrongfully accomplished. It must be realized that injunctive relief is not confined to the protection of those having trademarks and trade-names. It reaches beyond to encompass all cases in which it is evident that fraud and deception are practiced by one in disparaging or capturing the trade of a competitor. The ingenuity of the unfair competitor thus eludes classification but not always the restraint of a court of equity.

American Shops, Inc. v. American Fashion Shops of Journal Square, Inc., 13 N.J.Super. 416, 421, 80 A.2d 575 (App.Div.1951).

[38, 39] One common form of unfair competition is closely linked to an action for trademark infringement and involves the use of the same or similar name, or symbols of a competitor or non-competitor. As in trademark infringement,

[t]he test is the likelihood of confusion or deception among actual or prospective customers of the plaintiff. Where the necessary and probable tendency of the defendant's simulation or resemblance of plaintiff's trade name it to mislead the public into believing that the defendant's business is that of or connected with plaintiff's, then neither actual confusion nor actual fraudulent intent need be shown, for the court is then concerned with the consequences of defendant's act and not the motive for them. [Citations omitted].

Great Atlantic & Pacific Tea Co. v. A & P Trucking Co., 51 N.J.Super. 412, 420, 144 A.2d 172 (App.Div.1958), *modified and remanded*, 29 N.J. 455, 459, 149 A.2d 595 (1959). *See Perfectform Corporation v. Perfect Brassiere Co.*, 256 F.2d 736, 741-42 (3rd Cir. 1958); *Caesars World, Inc. v. Caesar's Palace*, 490 F.Supp. 818, 828 (D.N.J.1980); *Fotomat Corp. v. Photo Drive-Thru, Inc.*, 425 F.Supp. 693, 708-709 (D.N.J.1977). In addi-

tion, as with the trend in trademark infringement, injunctive relief will be granted “upon proof of likelihood of confusion as to source or sponsorship despite the diverse nature of the products or services involved [citations omitted].” *Great Atlantic & Pacific Tea Co. v. A & P Trucking Corp.*, 29 N.J. at 459, 149 A.2d 595.³⁵

[40, 41] In light of our earlier discussion in the service mark infringement context, of the likelihood of confusion as to the names and symbols used by the defendant, it is unnecessary for an extended analysis here. It is generally acknowledged that the same facts supporting a suit for trademark or service mark infringement will support a suit for unfair competition. See, e.g., *Amstar Corp. v. Domino’s Pizza, Inc.*, 615 F.2d 252, 265 (5th Cir. 1980); *New West Corp. v. NYM Company of California, Inc.* 595 F.2d 1194, 1201 (9th Cir. 1979); *James Burrough Ltd. v. Sign of the Beefeater, Inc.*, 540 F.2d 266, 274 n.16 (7th Cir. 1976); *Time Mechanisms, Inc. v. Qonaar Corp.*, 422 F.Supp. 905, 915 (D.N.J.1976); *American Shops, Inc. v. American Fashion Shops of Journal Square, Inc.*, 13 N.J.Super. at 421, 80 A.2d 575. Thus, our earlier decisions regarding likelihood of confusion and probable success on the merits also hold for the unfair competition claims. Because there are fewer restrictions for a showing of unfair competition and more leeway in the exercise of our equitable powers, we conclude that our findings of likelihood of confusion are even stronger. As Judge Gerry has explained, “[i]t is possible to be guilty of unfair competition even when trademark infringement is not present, if use of a similar but noninfringing mark or device is combined with unfair practices in a manner which is likely to deceive purchasers regarding the origin of goods [or services] under all the circumstances. [citations omitted].” *Fotomat Corp. v. Photo Drive-Thru, Inc.*, 425 F.Supp. at 709. Therefore, even assuming the names ELVIS, ELVIS PRESLEY, and ELVIS IN CONCERT, the TCB logo, and the “Elvis Pose” have not functioned as service marks, the current uses by the defendant of THE BIG EL SHOW logo (words and Presley likeness), the pictures resembling Presley,

³⁵See *Lugosi v. Universal Pictures*, 25 Cal.3d 813, 160 Cal.Rptr. 323, 603 P.2d 425 (1979), where the court explained how an individual’s name or likeness associated with a theatrical presentation could become linked with unfair competition protection.

[Bela] Lugosi could have created during his lifetime through the commercial exploitation of his name, face and/or likeness in connection with the operation of any kind of business or the sale of any kind of product or service a general acceptance and good will for such business, product or service among the public, the effect of which would have been to impress such business, product or service with a secondary meaning, protectable under the law of unfair competition. (*Johnston v. 20th Century-Fox Film Corp.* (1947) 82 Cal.App.2d 796, 810, 187 P.2d 474). The tie-up of one’s name, face and/or likeness with a business, product or service creates a tangible and saleable product in much the same way as property may be created by one who organizes under his name a business to build and/or sell houses according to a fixed plan or who writes a book, paints a picture or creates an invention. *Id.* 160 Cal.Rptr. at 326, 603 P.2d at 428.

and the initials TCB in his advertising and business and promotional materials are still likely to deceive the public as to the origin or sponsorship of the show itself.

As to the defendant's uses of the name THE BIG EL SHOW, without any accompanying photographs or artist's renderings, and the term THE KING, we still do not find a likelihood of confusion or deception. The plaintiff has not made a sufficient showing of unfair practices or other circumstances to convince us that the defendant's proper use of these two items constitutes unfair competition.

In addition to its claims against the defendant's use of certain names or symbols in its business, advertising, or promotional materials, the plaintiff argues that the defendant's production, itself, constitutes unfair competition. The plaintiff asserts that the packaging together of the image, dress, and style of Elvis Presley into an hour and one-half production designed to simulate an actual Elvis Presley production results in unfair competition since the audience viewing the performance is necessarily deceived into believing it is dealing with a service of the Estate of Elvis Presley. Plaintiff mainly relies on a type of unfair competition known as "unreasonable" or unprivileged imitation. As the Third Circuit recently noted in *S K & F Co. v. Premo Pharmaceutical Lab.*, 625 F.2d 1055 (3rd Cir. 1980), the New Jersey cases define this tort "in roughly the same manner as did the First Restatement of Torts." *Id.* at 1062. Sections 711(c) and 741 provide the guidelines. The Restatement of Torts § 711(c) (1938) indicates that:

[one] who

(c) markets goods with an unprivileged imitation of the physical appearance of another's goods is liable to the other for relief appropriate under [the ensuing Restatement rules with regard to calculation of damages].

The definition is set forth in § 741 of the Restatement as follows:

One who markets goods, the physical appearance of which is a copy or imitation of the physical appearance of the goods of which another is the initial distributor, markets them with an unprivileged imitation, under the rule stated in § 711, if his goods are of the same class as those of the other and are sold in a market in which the other's interest is protected, and

* * * * *

(b) the copied or imitated feature has acquired generally in the market a special significance identifying the other's goods and

(i) the copy or imitation is likely to cause prospective purchasers to regard his goods as those of the other, and

(ii) the copied or imitated feature is nonfunctional, or, if it is functional, he does not take reasonable steps to inform prospective purchasers that the goods which he markets are not those of the other.

See, e.g., French Amer. Reeds. Mfg. Co. v. Park Plastics Co., 20 N.J. Super. 325, 332-34, 90 A.2d 50 (App.Div.1952). *See also Squeezit Corp.*

v. *Plastic Dispenser, Inc.*, 31 N.J.Super.217, 106 A.2d 322 (App.Div. 1952). The plaintiff specifically points to *United Cigar Stores Co. v. United Confectioners*, 92 N.J.Eq. 449, 113 A. 226 (Ch.1921) to support its position. In that case, which involved similar store fronts, the court concluded that

defendant's stores have been "dressed" in such striking simulation and imitation of the appearance of complainants' store as to deceive a very large part, if not practically all, the interested public who did not know otherwise, into thinking that defendants' stores were a part of or compartments in complainants' establishment, and, at least as to a substantial part of the public, to mislead them into patronizing defendants' stores in the mistaken belief that it was complainants' store which they were in fact patronizing as they intended to do.

Id. at 450, 113 A. 226.

Upon reviewing the record we find that the plaintiff has not presented sufficient evidence, such as eyewitness accounts, films, or video tapes, to show that the defendant's entire production is such a duplication of plaintiff's services that members of the public likely would be deceived into believing the production originated with the plaintiff.³⁶ Even assuming the defendant's production is shown to have a striking resemblance to an Elvis Presley concert, as embodied in a form such as film or video tape, this resemblance by itself, and without other evidence tending to show a deception of the public as to the origin of the production, probably would not constitute unfair competition in the same manner as a striking resemblance to a distinctive trade or business dress would. Unlike an outside appearance of a store, the presentation of the defendant's production, itself, which occurs in a theater or club, cannot act to mislead customers into attending a performance of the defendant's show in the mistaken belief that it is associated with the plaintiff. Rather, the defendant's advertising and promotional materials for the show function to induce and attract potential customers in a manner similar to a building design or a package for a product. *See, e.g., Fotomat Corp.*, 425 F.Supp. at 709-10; *Time Mechanisms, Inc.*, 422 F.Supp. at 915. *See also Squeezit Corp.*, 31 N.J.Super. at 223-24, 106 A.2d 322.

[42] In any event, even assuming the similarity in shows should be considered, we are convinced that the doctrine of unfair competition was not designed to attach strict liability to a good faith and non-confusing imitation of an entertainment service, such as a concert by a famous performer like Presley, particularly where the original performer is no longer living. As noted in *Chaplin v. Amador*, 93 Cal.App. 358, 362, 269 P. 544, 546

³⁶We find the plaintiff's offering of the promotional pictures and artist's rendering of Larry Seth as he appears in THE BIG EL SHOW and the pictures of Elvis Presley in performance to be an insufficient basis for comparing the total entertainment production provided by the defendant with the entertainment service provided by the plaintiff.

(1928), a case involving an unfair competition claim and an imitation of a performer.

The case of plaintiff does not depend on his right to the exclusive use of the role, garb and mannerisms, etc.; it is based upon *fraud and deception*. The right of action in such a case arises from the *fraudulent purpose and conduct of appellant and injury caused to the plaintiff thereby, and the deception to the public*.

Id. at 362, 269 P. at 546 (Emphasis in original). See also *Lone Ranger v. Cox*, 124 F.2d 650 (4th Cir. 1942). Cf. *West v. Lind*, 186 Cal.App.2d 563, 9 Cal.Rptr. 288 (Cal.App.1960).

In deciding whether the defendant's activities constitute unfair competition, we must go beyond the question of whether THE BIG EL SHOW production is similar to an actual Elvis Presley performance as recorded on film, video tape, records, etc. Rather, our analysis must focus on the totality of the factors bearing on whether the defendant by his activities in the marketplace has attempted to deceive or confuse the public into believing THE BIG EL SHOW is connected with the actual Elvis Presley performances or sponsored by the same people, Elvis Presley's estate or its licensees, who have been presenting actual Elvis Presley entertainment services. See e.g., *DeCosta v. Columbia Broadcasting System, Inc.*, 520 F.2d 499, 513-15 (1st Cir.), *cert. denied*, 423 U.S. 1073, 96 S.Ct. 856, 47 L.Ed.2d 83 (1975); *Lone Ranger v. Cox*, *supra*; *Ideal Toy Corp. v. Kenner Products, Etc.*, 443 F.Supp. 291, 307-09 (S.D.N.Y.1977); *Wyatt Earp Enterprises v. Sackman, Inc.*, 157 F.Supp. 621 (S.D.N.Y.1958). After considering these circumstances in light of our earlier findings as to likelihood of confusion, we conclude that the plaintiff has adequately demonstrated a likelihood of success on the merits as to part of its unfair competition claim. The plaintiff has made a sufficient showing of the deceptive impact of the defendant's advertising and promotional materials and other communication to the public³⁷ but has not made such a showing with respect to the nature or composition of the defendant's show, itself.

4. Section 43(a) of the Lanham Act

The plaintiff argues that the defendant has violated § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a),³⁸ by his use of the name THE BIG EL

³⁷The permissible scope of the defendant's advertising is discussed in greater detail in the section, *infra*, on § 43(a) of the Lanham Act.

³⁸Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a) provides that:

(a) Any person who shall affix, apply, or annex, or use in connection with any goods or services or any container or containers for goods, a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause goods or services to enter into commerce, and any person who shall with knowledge of the falsity of such designation of origin or description or representation cause or procure the same to be transported or used in commerce or

SHOW, the initials TCB, the phrase THE BIG EL SHOW IN CONCERT, the picture or artist's rendering which looks like Elvis Presley, and the logo composed of the name and artist's rendering. The plaintiff also claims that the defendant has violated § 43(a) by his complete adoption of the performance style, accouterment and songs made famous by Presley, and by his advertising of "A Tribute to Elvis Presley."

[43] Section 43(a) of the Lanham Act ("Act"), 15 U.S.C. § 1125(a),³⁹ created a "distinct federal statutory tort," *Franklin Mint, Inc. v. Franklin Mint, Ltd.*, 331 F.Supp. 827, 831 (E.D.Pa.1971), "designed to afford broad protection against various forms of unfair competition and false advertising,"⁴⁰ *John Wright, Inc. v. Casper Corp.*, 419 F.Supp. 292, 324-25, (E.D.Pa. 1976), *aff'd in part, rev'd and remanded in part sub. nom. Donsco, Inc. v. Casper Corp.*, 587 F.2d 602 (3rd Cir. 1978), including deceptive and misleading advertising. See *Nature's Bounty, Inc. v. SuperX Drugs Corp.*, 490 F.Supp. 50, 54 (E.D.N.Y.1980). The Third Circuit recently has noted that § 43(a)

. . . proscribes not only acts that would technically qualify as trademark infringement, but also unfair competitive practices involving actual or potential deception. *L'Aiglon Apparel, Inc. v. Lana Lobell, Inc.*, 214 F.2d 649, 650-51, (3d Cir. 1954); see *Ives Labs, Inc. v. Darby Drug Co.*, 601 F.2d [631] at 641-42 [2d Cir. 1979] § 43(a) creates federal statutory torts of unfair competition beyond simple trademark infringement); *Quabaug Rubber Co. v. Fabiano Shoe Co.*, 567 F.2d 154, 160 (1st Cir. 1977) (§ 43(a) standing to sue extends beyond trademark owner to other injured parties); *Alfred Dunhill Ltd. v. Interstate Cigar Co.*, 499 F.2d 232, 236 (2d Cir. 1974) (§ 43(a) extends rights to parties injured by false advertising).

S K & F, Co. v. Premo Pharmaceutical Laboratories, Inc., 625 F.2d 1055, 1065 (3rd Cir. 1980).

[44] Although § 43(a) may proscribe competitive torts not covered by trademark infringement law or common law unfair competition, *S K & F, Co.*, 625 F.2d at 1065, as a general rule, the same facts which would support an action for trademark (or service mark) infringement or common

deliver the same to any carrier to be transported or used, shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin or in the region in which said locality is situated, or by any person who believes that he is or is likely to be damaged by the use of any false description or representation.

³⁹See footnote 38. There is no dispute that the requirement of use in interstate commerce has been satisfied by the performances and advertisements of THE BIG EL SHOW in various states.

⁴⁰Section 43(a) of the Act does not require federal registration. See, e.g., *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200, 203 n.3 (2nd Cir. 1979); *Boston Professional Hockey Association v. Dallas Cap & Emblem Mfg., Inc.*, 510 F.2d 1004, 1010 (5th Cir.), cert. denied, 423 U.S. 991, 96 S.Ct. 132, 46 L.Ed.2d 98 (1975); *Potato Chip Institute v. General Mills, Inc.*, 333 F.Supp. 173, 179 (D.Neb.1971), *aff'd per curiam*, 461 F.2d 1088 (8th Cir. 1972); *L'Aiglon Apparel, Inc. v. Lana Lobell, Inc.*, 214 F.2d 649 (3rd Cir. 1954); *Frederick Warne & Co., Inc. v. Book Sales, Inc.*, 481 F.Supp. 1191 (S.D.N.Y.1979).

law unfair competition (facts indicating a likelihood of confusion as to source or sponsorship of goods or services) would support an action for unfair competitive practices under § 43(a). *See, e.g., New West Corp., v. NYM Co. of Cal., Inc.*, 595 F.2d 1194, 1201 (9th Cir. 1979); *Boston Professional Hockey Association, Inc. v. Dallas Cap & Emblem Manufacturing, Inc.*, 510 F.2d 1004, 1010 (5th Cir.), *cert. denied*, 423 U.S. 868, 96 S.Ct. 132, 46 L.Ed.2d 98 (1975); *National Lampoon, Inc. v. American Broadcasting Co., Inc.*, 376 F.Supp. 733, 746 (S.D.N.Y.), *aff'd*, 497 F.2d 1343 (2nd Cir. 1974); *Frederick Warne & Co., Inc. v. Book Sales, Inc.*, 481 F.Supp. 1191, 1195 (S.D.N.Y.1979); *John Wright, Inc.*, 419 F.Supp. at 325. *See also S K & F, Co.*, 625 F.2d at 1965. Because we have already addressed the strength or secondary meaning and the concomitant likelihood of confusion as to each of the names or symbols, as well as to the production itself,⁴¹ we do not find it necessary to conduct a similar examination here. Those conclusions as to likelihood of success on the merits are sufficient to suggest that a similar result is likely for the § 43(a) claims.

[45] As noted, one of the purposes of § 43(a), as distinguished from the common law of unfair competition, is to protect "consumers as well as commercial interests from the effects of false advertising." 2 McCarthy, Trademark, and Unfair Competition, *supra*, § 27:2 at 246. In view of the qualifications attached to our unfair competition decision,⁴² we will address some comments to the permissible scope of the defendant's advertising for the stage production.⁴³ In this regard, we have found three lines of cases addressing unfair competition and § 43(a) claims to be especially informative. The cases are those where a violation occurs when a record is advertised so as to represent falsely the true nature or extent, if any, of the participation of a performer, *see, e.g., RCA Records v. Kory Records, Inc.*, 197 U.S.P.Q. 908 (E.D.N.Y.1978); *CBS, Inc. v. Springboard International Records*, 429 F.Supp. 563 (S.D.N.Y.1976); *CBS, Inc. v. Gusto Records, Inc.*, 403 F.Supp. 447 (M.D.Tenn.1974); *Decca Records v. Musicor Records*, 166 U.S.P.Q. 57 (S.D.N.Y.1970); *Shaw v. Time-Life Records*, 38 N.Y.2d 201, 379 N.Y.S.2d 390, 341 N.E.2d 817 (1975), where a violation occurs where deceptive title or advertising is used in connection with a movie or stage production, *see, e.g., Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 467 F.Supp. 366 (S.D.N.Y.), *aff'd*, 604 F.2d 200 (2nd Cir. 1979); *Robert Stigwood Group, Ltd. v.*

⁴¹See the sections, *supra*, addressing the Likelihood of Success on the Merits on the claims of Unfair Competition (§ III.A.3.) and Service Mark (Trademark) Infringement (§ III.A.2.).

⁴²See § III.A.3., *supra*, addressing the Likelihood of Success on the Merits on the claim of Unfair Competition.

⁴³The court also believes that these comments are especially appropriate at this time because of our failure to find irreparable injury, from the defendant's presentation of the show, under the plaintiff's right of publicity claim.

Sperber, 457 F.2d 50 (2nd Cir. 1972); *Warner Bros., Inc. v. Film Ventures International*, 403 F.Supp. 522 (C.D.Cal.1975), and where a violation does not occur where a competitor makes a copy of an unprotected product (or service) of the plaintiff's, and truthfully advertises it as a copy by using the name or trademark of the plaintiff, without his consent, to identify the originator or the product copied. *See, e.g., Saxony Products, Inc. v. Guerlain, Inc.*, 513 F.2d 716 (9th Cir. 1975), *aff'd in part, rev'd in part on different grounds*, 594 F.2d 230 (9th Cir. 1979); *Smith v. Chanel, Inc.*, 402 F.2d 562 (9th Cir. 1968); *Societe Comptoir de L'Industrie Cotonniere Etablissements Boussac v. Alexander's Dept. Stores, Inc.*, 299 F.2d 33 (2nd Cir. 1962). These cases emphasize the significance of and techniques for preventing and alleviating deceptive and misleading advertising, while stressing the need for providing the public with truthful information about the products or services and their sources or sponsorship.

Assuming arguendo defendant's presentation of a stage show imitating an actual Elvis Presley performance were permissible, defendant would be allowed to use a name and advertising material which suggests something about the production's content. However, the success of the production or service should depend on the quality of the production, itself, and not on the ability of the defendant to deceive the public and to benefit unfairly from the goodwill attached to plaintiff's entertainment services of actual Elvis Presley performances. The defendant would have to make clear in all communications (including, but not limited to, advertising and promotional materials, theater programs or playbills, and record covers) to the consuming public that his production is not affiliated with, sponsored by, or in any other way connected with the same people who provide actual Elvis Presley entertainment services. In this respect, the defendant's current advertisements and promotional materials (*see* Exhibits P. 14, 15, 19), as well as the album covers (*see* Exhibits P. 11, 13) and labels on the 45 RPM records (*see* Exhibit P. 18), are not adequate. They highlight those items, THE BIG EL SHOW logo and pictures or artist's renderings which appear to be of Elvis Presley,⁴⁴ which we already have concluded are likely to cause confusion. The use by the defendant only of phrases such as "REFLECTIONS ON A LEGEND . . . A TRIBUTE TO ELVIS PRESLEY," "Looks and Sounds like The KING," and "LIVE ON STAGE" does not diminish the confusion engendered by the use of the logo or artist's renderings to identify the production. In order to reduce this confusion, the defendant's representations and communications to the consuming public should incorporate in some manner the following ideas: that the production, or recording of the production, is a stage show, called THE BIG EL SHOW, which stars Larry Seth (or whoever is currently star-

⁴⁴One of the albums portrays only an artist's rendering, without even the name, THE BIG EL SHOW, on the front of the cover. (*See* Exhibit P 11)

ring); that THE BIG EL SHOW is an attempted imitation of a performance or stage show of the late Elvis Presley; who the producer of THE BIG EL SHOW and of the record is; that neither THE BIG EL SHOW nor any recording is authorized or sponsored or licensed by the Estate of Elvis Presley; and that no one involved in the production of actual Elvis Presley performances or films or records is involved in THE BIG EL SHOW or the records of the show. In addition, in order to properly apprise potential customers that the star of THE BIG EL SHOW actually looks like Elvis Presley, the defendant should be able to use properly identified and legally obtained photographs of Elvis Presley to compare with photographs of the star of THE BIG EL SHOW.⁴⁵

B. Irreparable Injury

Having found that plaintiff is likely to succeed on the merits as to certain claims, we must next examine the second requirement for a plaintiff seeking a preliminary injunction. The plaintiff must demonstrate that irreparable injury will result if an injunction is not granted *pendente lite*.

1. Right of Publicity

Although the plaintiff has shown a likelihood of success on the merits of its right of publicity claim, the plaintiff has not made a sufficient showing that irreparable injury will result if the defendant's production is not preliminarily enjoined. In making this decision, we note that we are treating a right of publicity claim different than a service mark infringement or unfair competition claim. Because the doctrine of the right of publicity emphasizes the protection of the commercial value of the celebrity's name or likeness, the plaintiff must demonstrate sufficiently that the defendant's use of the name and likeness of the celebrity has or is likely to result in an identifiable economic loss. In contrast, in the context of the service mark infringement, unfair competition, and § 43(a) of the Lanham Act claims, we found that irreparable injury could result even in the absence of economic harm *per se*.⁴⁶ One reason for this difference in approach stems from the public deception which is part of the latter three causes of action, but not part of the right of publicity claim. As a result of such public deception or confusion as to source, the plaintiff is being harmed. The plaintiff is being unfairly compelled to place the control of the good will attached to its entertainment services in the hands of the defendant.

⁴⁵The various suggestions listed here are not meant to be all inclusive, and the defendant may offer alternatives.

⁴⁶See § III.B.2., *infra*, addressing Irreparable Injury and the claims of Service Mark Infringement, Common Law Unfair Competition, and § 43(a) of the Lanham Act.

In addition, and perhaps even more importantly, the close relationship in this case between the right of publicity and the societal considerations of free expression supports the position that the plaintiff in seeking relief for an infringement of its rights of publicity should demonstrate an identifiable economic harm.⁴⁷ As we noted earlier,⁴⁸ the defendant's activity when viewed simply as a skilled, good faith imitation of an Elvis Presley performance, *i.e.*, without the elements leading to a likelihood of confusion, is, in some measure, consistent with the goals of freedom of expression. Thus, before the harsh step of barring defendant's activity is undertaken, the plaintiff should have to make a showing of immediate, irreparable harm to the commercial value of the right of publicity and should not be able to rely on an intangible potentiality.

[46] In light of these comments, we find that the plaintiff has not made a sufficient showing that the presentation of this particular production, THE BIG EL SHOW, has resulted in any loss of commercial benefits to the plaintiff or will result in an irreparable commercial harm in the near future. The plaintiff has not adequately demonstrated that the existence of defendant's activity has led to or is likely to lead to a diminished ability of the plaintiff to profit from the use of Elvis Presley's name or likeness.⁴⁹ For example, there is insufficient evidence that plaintiff's (or its licensees') ability to enter into agreements licensing the use of Presley's name or likeness in connection with consumer products is seriously jeopardized by defendant's activity.⁵⁰ As a matter of act, it is even possible that

⁴⁷*Cf. Portrayals, supra*, 1608-16, setting forth the following position as to all types of media portrayals, not just those classified as right of publicity claims:

The second basic principle governing court decisions about media portrayals is that a portrayal must cause identifiable harm before relief will be granted. This principle is generally subordinated to the first; if a portrayal is found to serve an informative or cultural function, it will generally be immune from liability, even if it causes substantial harm. If a portrayal is simply exploitative, however, the issue of harm will be likely to control the court's decision.

This principle, which is a relatively common one in tort law, is also influenced by First Amendment considerations. A clearly exploitative portrayal is not protected by the First Amendment; courts tend, however, to avoid imposing liability when there is even a possibility of such protection on the ground that First Amendment rights require "breathing space." As a result, they grant recovery in cases in which exploitation is found only if a clear showing of objectively determinable harm has been made. The types of harm that will qualify are derived from the countervailing social policies that support suits against the media—the encouragement of individual freedom, honest commercial practices, and creativity.

⁴⁸See § III.A.1.b., *supra*, addressing the Likelihood of Success on the Merits on the issue of Theatrical Imitations and The Right of Publicity.

⁴⁹It should also be noted that the plaintiff has not claimed that defendant's production is so false or of such a poor quality that the reputation, and the resulting commercial viability, and marketability, associated with the name and likeness of Elvis Presley has been or will be adversely affected.

⁵⁰In *Factors Etc., Inc. v. Creative Card Co.*, 444 F.Supp. 279 (S.D.N.Y.1977), the court based its finding of irreparable injury on the fact that unauthorized merchandise was appearing on the market and, thus, jeopardizing the licensing program authorized by Presley's estate.

defendant's production has stimulated the public's interest in buying Elvis Presley merchandise or in seeing films or hearing records embodying actual Elvis Presley performances. See *Zacchini, supra*, 433 U.S. at 575 n.12, 97 S.Ct. at 2857 n.12 (conjecturing that the broadcast of the film showing plaintiff's act might stimulate the public interest in seeing the act live). Thus, the defendant's show will not be preliminarily enjoined.

The considerations preventing the issuance of a preliminary injunction as to the show do not sufficiently apply to the sale of pendants or records even though the sales are limited. Since the plaintiff, through its licensing programs, also engages in the sale of such items, this situation is similar to that in *Factors Etc., Inc. v. Pro Arts, Inc.*, 579 F.2d 215 (2nd Cir. 1978), *cert. denied*, 440 U.S. 908, 99 S.Ct. 1215, 59 L.Ed.2d 455 (1979) and *Factors Etc., Inc. v. Creative Card Co.*, 444 F.Supp. 279 (S.D.N.Y.1977), where irreparable harm was found. We find that irreparable injury would result from the continued sale distribution of pendants displaying Elvis Presley's likeness or of records whose covers or labels display pictures or artist's renderings which are or appear to be of Elvis Presley.

2. Service Mark Infringement, Common Law Unfair Competition, and § 43(a) of the Lanham Act

[47] As a general proposition, in the contexts of service mark (or trademark) infringement and unfair competition, including § 43(a) of the Lanham Act, the plaintiff who demonstrates a likelihood of confusion as to source, and thus, likelihood of success on the merits, will have formed a strong basis for showing irreparable injury. See, e.g., *Playboy Enterprises, Inc. v. Chuckleberry Publishing, Inc.*, 486 F.Supp. 414, 429 (S.D.N.Y.1980); *Russ Berrie & Co., Inc. v. Jerry Elsner Co., Inc.*, 482 F. Supp. 980, 990 (S.D.N.Y.1980); *Louis Rich, Inc. v. Horace W. Longacre, Inc.*, 423 F.Supp. 1327 (E.D.Pa.1976); *United Cigar Stores Co. of America v. United Confectioners*, 92 N.J.Eq. 449, 450, 113 A. 226 (E. & A. 1921). This results because:

A plaintiff who has demonstrated service mark infringement and unfair competition faces the probability of lost trade and appropriation of its good will. The damages in such a case are by their very nature irreparable and not susceptible of adequate measurement. *Tefal, S.A. v. Products International Co.*, 186 U.S.P.Q. 545, 548 (D.N.J.1975), *aff'd*, 529 F.2d 495, 497 (3d Cir. 1976). Plaintiff's lack of ability to control the nature and quality of services provided under an infringing service mark, even if defendant matches the high quality of plaintiff's services, constitute irreparable injury. *Ambassador East, Inc. v. Orsatti, Inc.*, 257 F.2d 79, 82 (3rd Cir. 1958; *Chips 'N Twigs, Inc. v. Chip-Chip, Ltd.*, 414 F.Supp. 1003 (E.D. Pa.1976).

Fotomat Corp. v. Photo Drive-Thru, Inc. 425 F. Supp. 696, 711 (D.N.J.1977).⁵¹ See also *McNeil Laboratories v. American Home Prod-*

⁵¹Irreparable injury may also occur where the infringer's goods or services are inferior to or of poorer quality than the plaintiff's. In this situation, a "plaintiff may suffer irreparable

ucts Corp., 416 F.Supp. 804, 809 (D.N.J.1976); *Franklin Mint, Inc. v. Franklin Mint, Ltd.*, 331 F.Supp. 827, 830 (E.D.Pa.1971). A similar position prevails even in connection with non-competing goods or services. As Judge Learned Hand explained in his classic statement on the subject.

[A] merchant may have a sufficient economic interest in the use of his mark outside the field of his own exploitation to justify interposition by a court. His mark is his authentic seal; by it he vouches for the goods which bear it; it carries his name for good or ill. If another uses it, he borrows the owner's reputation, whose quality no longer lies within his own control. This is an injury, even though the borrower does not tarnish it, or divert any sales by its use; for a reputation, like a face, is the symbol of its possessor and creator, and another can use it only as a mask.

Yale Electric Corp. v. Robertson, 26 F.2d 972, 974 (2nd Cir. 1928). See *James Burrough, Ltd. v. Sign of Beefeater, Inc.*, 540 F.2d 266, 275-76 (7th Cir. 1976); *Professional Golfers Association of America v. Bankers Life & Casualty Co.*, 514 F.2d 665, 669-70 (5th Cir. 1975); *Great Atlantic & Pacific Tea Co. v. A & P Trucking Corp.*, 29 N.J. 455, 458-60, 149 A.2d 595 (1959).

[48] In the present case, the plaintiffs service marks are widely known and represent high quality entertainment services and substantial good will. The plaintiff has a significant stake in continuing to ensure that the service or products identified by these marks maintain these standards. If the defendants were allowed to continue to use those names or symbols (THE BIG EL SHOW logo, the initials TCB with or without a lightning bolt, and pictures or artist's renderings which closely resemble Elvis Presley) previously found to engender confusion as to source, the plaintiff would be harmed seriously by the deprivation of its ability to control the nature and quality of a service which the public believes it provides. We find that "[t]his deprivation . . . constitutes irreparable injury." *Franklin Mint, Inc.*, 331 F.Supp. at 830. In addition, the plaintiff has a right to be protected from the probable damages to its good will if the purchasing public believes that the plaintiff has sponsored or helped produce THE BIG EL SHOW and is dissatisfied with the show. Such a loss of intangible value cannot be accurately measured and compensated in damages.⁵²

damage to its good will if the infringement causes consumers to misidentify the infringer's inferior goods as those of the plaintiff. [citations omitted]." *Louis Rich, Inc. v. Horace W. Longacre, Inc.*, 423 F.Supp. 1327 (E.D.Pa.1976). Such a situation might result in the present case, if a customer attends the defendant's production under the mistaken belief it is sponsored by the plaintiff and finds the production to be of poor quality. However, the plaintiff has not claimed that defendant's production is of inferior quality or reflects adversely on the reputation of Elvis Presley and his performances.

⁵²As we pointed out in § III.B.1., *supra*, examining irreparable injury in the context of the right of publicity claim, the plaintiff has not presented a sufficient showing of a probability of loss of trade. Since the plaintiff is not currently sponsoring or licensing any type of stage show, or even a movie incorporating Elvis Presley performances, it does not appear that customers attending THE BIG EL SHOW are being or would be diverted from plaintiff's

C. *The Balance of Equities*

[49] Recognizing our earlier conclusions as to likelihood of success on the merits and irreparable injury, we find that the hardships to the defendant in complying with a preliminary injunction would not outweigh the harm to the plaintiff resulting from a failure to grant a preliminary injunction. Since the preliminary injunction would not prevent the defendant from using the name THE BIG EL SHOW or from presenting the production itself, the harm to the defendant should not be significant. This conclusion actually is supported by the defendant's own arguments as to the equities. The defendant claims only two equitable considerations: that THE BIG EL SHOW is his and his family's major source of income and that THE BIG EL SHOW has generated its own good will with the public. Although we feel the defendant has not made an adequate showing of both of these claims,⁵³ it is not necessary to consider this in our decision. Since our preliminary injunction would not stop the production or the use of the name THE BIG EL SHOW, the defendant's main concerns are alleviated. The defendant has not indicated that changing the advertising and promotional material and the logo or discontinuing the use of TCB will cause any real financial damage or have any other adverse impact. The effect of an injunction on defendant's sales of records also would not have any significant financial impact because of the limited number of records and extent of distribution. Finally, any loss in trade to the defendant should be due only to the fact that the defendant will no longer be using confusion to trade on the good will and reputation of the plaintiff. Any expenses incurred by the defendant in complying with the preliminary injunction could be easily calculated and adequately compensated by an award of monetary damages if the defendant ultimately prevails. *See Louis Rich, Inc. v. Horace W. Longacre, Inc.*, 423 F.Supp. 1327, 1340 (E.D.Pa.1976). We conclude that the relative hardship to the defendant is outweighed by the potential harm to the plaintiff if the defendant is not preliminarily enjoined from those actions likely to cause confusion.

services. Also, there are not a sufficient number of BIG EL SHOW records on the market to constitute an irreparable injury through loss of trade. However, as we have noted, other forms of damages aside from economic harm per se can result in irreparable injury where service mark (or trademark) infringement, common law unfair competition, or violation of § 43(a) of the Lanham Act is involved.

⁵³At the hearing on the preliminary injunction, the defendant presented no evidence at all, relying mainly on his own affidavit and deposition. The failure of the defendant to utilize the hearing opportunity to provide this court with further information or testimony relevant to the balancing of hardships tends to diminish any claim that the equities favor him. *See Playboy Enterprises, Inc. v. Chuckleberry Publishing, Inc.*, 486 F.Supp. 414, 433 (S.D.N.Y.1980).

D. *Public Interest*⁵⁴

The public interest requirement in cases of unfair competition or service mark (or trademark) infringement generally favors preliminary injunctions where the moving party has demonstrated a likelihood of success because "the public is . . . interested in fair competitive practices and clearly opposed to being deceived in the marketplace." *McNeill Laboratories, Inc. v. American Home Products Corporation*, 416 F.Supp. 804, 809 (D.N.J.1976). See *S K & F Co. v. Premo Pharmaceutical Laboratories, Inc.*, 625 F.2d 1055, 1067 (3rd Cir. 1980). A potential attendee at THE BIG EL SHOW or a potential buyer of a BIG EL SHOW record is entitled to know that the production has no connection with plaintiff or with the actual Elvis Presley performances. We conclude that the public interest favors our granting preliminary relief.

IV. *Conclusion*

In accordance with the reasons set forth herein, a preliminary injunction will be entered as reflected in the attached order.

ORDER

This matter having been brought before the court on the 29th day of October, 1980; and

The court having considered the testimony, briefs, proposed findings of fact and conclusions of law, exhibits, affidavits, depositions and oral argument; and

For the reasons stated in the court's opinion filed this day,

It is on this 16th day of April, 1981 ORDERED that the defendant Rob Russen d/b/a THE BIG EL SHOW, his agents, servants, employees and attorneys and all persons in active concert and participation with him or acting on his behalf are restrained and enjoined, pending final determination of this action, from the following:

1. Using the initials TCB (whether in capital letters or lower case letters) alone or in combination with a lightning bolt design, in connection with any advertising, promotional materials, or business material, including letterheads and business cards, or on any covers or labels of records, or on any merchandise, or to refer to any band or orchestra, or in any manner whatsoever to refer to a concert or musical event or entertainment service not conducted or sponsored or licensed by plaintiff or under its authority;

2. Using any pictures, sketches, artist's renderings (or any other such forms) of Elvis Presley or which appear to be of or resemble the "Elvis

⁵⁴Neither the plaintiff nor the defendant has addressed this issue.

Pose" as described or which are likely to lead persons into the mistaken belief that it is of Elvis Presley, in any advertising, promotional materials, or business materials or in any other notices or communications to identify an entertainment service or business, or on any record cover or label, or on any product, in any manner tending to deceive the purchasing public into the belief that the services or products provided by the defendant are sponsored or licensed by, or in any other way connected with the plaintiff;

3. Using any future advertisements or promotional materials, including but not limited to posters, newspaper advertisements, playbills, brochures, photograph albums, for the defendant's production of THE BIG EL SHOW which are not consistent with the general guidelines set forth in the opinion this date;

4. Using THE BIG EL SHOW logo or mark (Exhibit P 28), which is composed of the name THE BIG EL SHOW and the artist's sketch which closely resembles the "Elvis Pose," in connection with any advertising, promotional materials, or business material, including letterheads and business cards, or on any covers or labels of records, or on any merchandise, or to refer to any band or orchestra, or in any manner whatsoever to refer to a concert or musical event or entertainment service not conducted or sponsored or licensed by plaintiff or under its authority;

5. Further distribution or sale of any copies of records (33 RPMs, LPs, or 45 RPMs, singles), including those designated as Exhibits P 14, 15, 19, which album covers or labels display an actual picture or artists' sketch of Elvis Presley or a picture, artist's rendering, or sketch closely resembling and appearing to be of Elvis Presley; and shall neither transfer nor remove from the jurisdiction any such records;

6. Further distribution or sale of any pendants or merchandise displaying an actual picture or sketch of Elvis Presley or a picture, artist's rendering, or sketch closely resembling and appearing to be of Elvis Presley; and shall neither transfer nor remove from the jurisdiction any such pendants or merchandise;

7. Committing any other acts calculated or likely to lead persons to the mistaken belief that any event or service produced, provided, or presented by defendant emanates from plaintiff or is sponsored, approved, licensed, or supervised by plaintiff, or is in any other way connected with plaintiff; and

8. Infringing on any of plaintiff's service marks set forth in the opinion this date.

It is FURTHER ORDERED that the restraints herein contained shall become effective upon the plaintiff's giving security in the amount of Twenty-five Thousand Dollars (\$25,000.00), in accordance with the provisions of Rule 65(c) of the Federal Rules of Civil Procedure, for the payment of such costs and damages as the defendant may incur or suffer if

the defendant is found to have been improperly enjoined, such bond to be approved as to form and substance by the court; and

It is FURTHER ORDERED that the premium of said bond shall be an item of taxable cost.

Paul G. PROULX, et al. v. HENNEPIN TECHNICAL CENTERS
DISTRICT NO. 287, et al.

Civ. No. 4-79-637

(United States District Court, D. Minnesota, Fourth Division — December 7, 1981)

Unreported

REPORT AND RECOMMENDATION

BOLINE, *Magistrate*. A hearing was held before the undersigned United States Magistrate on April 29, 1981 on the Defendant Ladd's Motion to Dismiss. The plaintiff was represented by Roman S. Tymiak, Esquire. Defendant David L. Ladd, Register of Copyrights, was represented by John Fargo, Commercial Litigation Branch, Civil Division, Department of Justice. Defendants Hennepin Technical Centers District No. 287 and Robert F. Papas, its director, were represented by Robert Rydland, Esquire.

It is recommended that Defendant Ladd's Motion to Dismiss be granted and that Counts I and II of plaintiff's Complaint be dismissed without prejudice.

BACKGROUND

On December 20, 1979 plaintiff, Paul G. Proulx, filed a Complaint alleging, in Counts I and II, copyright infringement under Title 17, United States Code, Section 101 et. seq. by defendants Hennepin Technical Centers District No. 287 and Robert F. Papas, its director. After it became apparent that plaintiff had not obtained a Certification of Registration of Copyright for any of his works, plaintiff requested leave to proceed under 17 U.S.C. § 411(a) by serving a copy of the Complaint upon the Register

of Copyrights. Plaintiff's counsel was appointed to serve process on the Register on October 3, 1980. Service was initiated by mailing a copy of the Complaint and a notice to the Register on October 6, 1980. On January 8, 1981, the Register filed a Motion to Dismiss.

By letter dated October 24, 1979 plaintiff's counsel requested that the Copyright Office grant plaintiff an exemption from the deposit requirements for copyright registration. He indicated that his client had "produced about 137 hours of videotape recordings of his lectures" and that he had advised plaintiff that "videotape is a proper subject for copyright." Plaintiff's counsel requested either a complete exemption from deposit requirements or permission to deposit identifying materials as provided by 37 C.F.R. § 202.19(d)(2)(iv) and § 202.21(g)(2). The basis of the request for an exemption was the cost of reproducing a complete copy of the 137-hour set of videotaped lectures.

On December 6, 1979, plaintiff's counsel submitted four applications for copyright registration, one ringbound notebook entitled *Proulx Electronic Video Tape Series*, and two checks totalling \$40.00 to the Copyright Office. The accompanying letter stated that an "application for copyright registration on Form TX for Paul G. Proulx's collected lecture notes entitled *Proulx Electronics Video Tape Series* was enclosed along with "one copy of the above named unpublished work."

The letter further stated that three "applications for copyright registration of derivative works based on the above-described notes for lectures intended for oral delivery" were enclosed on Forms PA. These applications purported to cover "three sets of video tape recordings of the . . . lectures." In addition, the letter accompanying the applications stated that "[i]dentifying materials submitted in lieu of deposit, consisting of one copy of the unpublished notes with accompanying visual reproductions generally from each 10 minute segment" were being submitted. This identifying material for the Form TX and Forms PA was contained in the same ringbound notebook.

Form TX described the nature of the work for which copyright registration was sought as "Notes of lectures intended for oral delivery." The ringbound notebook which accompanied plaintiff's applications contained synopses of lectures plus a number of reproductions of pictures which purported to be from the videotaped lectures. Generally, diagrams containing formulas and circuit drawings were depicted. These appeared to be originally written on either graph paper or an overhead projector transparency. A number of reproductions were illegible.

The three applications for copyright registration on Form PA named the title of the respective works as, *Electronic Series*, *Solid States Series* and *Industrial Machine Series*. The nature of the first work was described as "62 . . . progressive lectures recorded on set of 87 videotape cassettes." In space 6, where an applicant is required to identify any pre-existing

material incorporated into the work, plaintiff stated that the videotaped lectures were “[b]ased on Part I of the Collected Lecture Notes of Paul G. Proulx, entitled *Proulx Electronic Video Tape Series*, for which application for registration of copyright is made simultaneously on Form Tx.” Plaintiff characterized the material added to the pre-existing material as “[a]udiovisual recording of the author’s performance delivering lectures on electronics technology.” The applications for the *Solid State Series* and *Industrial Machine Series* were substantially the same.

While the ringbound notebook, which plaintiff submitted as a deposit for both his TX and PA applications, was described on the Form PA’s as constituting “pre-existing” material, it was largely composed of “visual reproductions” of frames from the videotaped lectures, purportedly at 10 minute intervals.

Despite the fact that plaintiff’s counsel’s letter of December 6, 1979, stated that the ringbound notebook contained notes together with “*accompanying* visual reproductions generally from each 10 minute segment” of the videotapes, the ringbound notebook did not contain any additional notes, as such, but merely one or two sentence synopses of the lectures.

The Copyright Office responded to plaintiff’s attempt to register his copyrights by letter dated February 14, 1980. The letter noted that “[a]lthough your letters of October 27 and December 6 indicates that videotape represents the actual form of the work, you have deposited a copy consisting of 180 pages assembled, presumably, for registration purposes.” The Copyright Office then stated that the deposit requirement for registration of an unpublished work required “one complete copy” except that identifying material could be submitted for a motion picture consisting of either a complete soundtrack or frame enlargements from each 10 minute segment.

The letter concluded:

“Your present Form Tx and 3 Forms PA are being filed without further action. Your present 180 page deposit will be returned at the completion of this correspondence. Any balance to your \$40.00 remittance will also be refunded at the completion of this correspondence.

In reply, please refer to our Cash No. 76802T and the date of this letter.”

Plaintiff next communicated with the Copyright Office by letter dated February 2, 1981. Plaintiff again communicated with the Copyright Office by letter dated March 10, 1981. Neither of these letters was offered at the hearing.

The Copyright Office responded to these letters on April 24, 1981. That letter stated in part:

“This is in reply to your letters of February 2nd and March 10th concerning your client’s claims to copyright in the PROULX ELECTRONICS VIDEOTAPE SERIES. I apologize for the delay.

In your most recent letter you indicated that at this time you would like the Copyright Office to register the claim in only the literary authorship that is contained in the ringbound book. In other words, you have for the moment withdrawn your request concerning the three applications filed for the audiovisual works embodied in the videotapes. I am, therefore, not addressing the various points that you raised in your letter of February 2, 1981, but instead I am focusing my comments on the literary claim and the problems concerning it.

As I mentioned in my letter of January 6, 1981, to register a claim in a literary work, one complete copy of the entire copyrightable content should be deposited. In this case we will, therefore, look to the copy deposited to determine what the scope of the claim is. Based on the copy deposited, your client's claim must be limited to the synopses of the lectures, the diagrams and the drawings actually contained therein."

The Copyright Office attached an application describing the nature of the author's contribution as "synopses of lectures, diagrams and drawings." Plaintiff apparently did not sign or return the application form provided by the Copyright Office.

Plaintiff's counsel tendered an affidavit of plaintiff in response to Defendant Ladd's Motion to Dismiss. Paragraph 2 of the affidavit indicated that somewhat less than half of the photographs contained in the ringbound notebook were actually reproductions of frames from the videotapes. The other half were reproductions of plaintiff's original notes, prepared prior to the videotaping of the lectures. In paragraph 14 of the affidavit plaintiff further stated that "I have not made, and do not intend to make, any claim of copyright subsisting in the videotapes when viewed as a motion picture."

Plaintiff's affidavit indicates that the ringbound notebook did not contain "identifying material" consisting of "visual reproductions" of frames from each 10 minute segment as plaintiff's counsel had represented to the Copyright Office. Rather, only half of the pictures were reproductions of frames of the videotape.

Plaintiff's affidavit also indicates that plaintiff at one time had a copy of notes of his lectures which were made prior to the videotaping of the lectures. However, only about half of the ringbound notebook represents a copy of these pre-existing notes.

At the hearing the Court received into evidence some of the correspondence from the Copyright Office to plaintiff's counsel and a copy of the three-ring binder submitted as a part of plaintiff's copyright application. (See Intervenor's Exhibits 1 and 2).

MEMORANDUM

Defendant Ladd, Register of Copyrights, has moved for dismissal of the copyright infringement claims in plaintiff's Complaint, Counts I and II,

on the ground that the prerequisites for an infringement action set out in 17 U.S.C. § 411(a) have not been met. Section 411(a) provides:

§ 411. REGISTRATION AS PREREQUISITE TO INFRINGEMENT SUIT

(a) Subject to the provisions of subsection (b), no action for infringement of the copyright in any work shall be instituted until registration of the copyright claim has been made in accordance with this title. In any case, however, where the deposit, application and fee required for registration have been delivered to the Copyright Office in proper form and registration has been refused, the applicant is entitled to institute an action for infringement if notice thereof, with a copy of the complaint, is served on the Register of Copyrights. The Register may, at his or her option, become a party to the action with respect to the issue of registrability of the copyright claim by entering an appearance within sixty days after such service, but the Register's failure to become a party shall not deprive the court of jurisdiction to determine that issue.

It is settled that the requirements of § 411 are jurisdictional and unless these prerequisites have been met a federal court cannot hear a copyright infringement claim. *Magic Foam Sales Corp. v. Mystic Foam Corp.*, 167 F.2d 88 (6th Cir. 1948); *Cohan v. Richmond*, 86 F.2d 680 (2d Cir. 1936); *N.Y. Times Co. v. Star Co.*, 195 F. 110, 112 (C.A. NY 1912); *Charron v. Meaux*, 60 F.R.D. 619, 624 (S.D. NY 1973); *G.P. Putnam's Sons v. Lancer Books, Inc.*, 251 F.Supp. 210, 214 (S.D. NY 1966); *Grove Press, Inc. v. Greenleaf Publishing Co.*, 247 F.Supp. 518, 523-524 n.6 (E.D. NY 1965); *Dan Kasoff, Inc., v. Palmer Jewelry Mfg. Co.*, 171 F.Supp. 603 (S.D. NY 1959); *Algonquin Music, Inc. v. Mills Music, Inc.*, 93 F.Supp. 268 (S.D. NY 1950).

Plaintiff cannot claim jurisdiction under the first sentence of § 411(a) because his copyright claim has not been registered with the Copyright Office; no certificate of registration has been issued pursuant to 17 U.S.C. § 410.

The question becomes, therefore, whether the requirements of the second sentence of § 411(a) have been met. The Court believes they have not been met. Under the second sentence of § 411(a) a plaintiff may invoke the Court's jurisdiction in a copyright infringement action if "[1] the deposit, application, and fee required for registration have been delivered to the Copyright Office in proper form and [2] registration has been refused." In this case plaintiff's application was not in proper form and his application was not "refused" within the meaning of § 411(a).

Title 17, U.S.C. § 409 sets out the material that must be submitted to the Copyright Office for a proper application. That Section provides, in part:

"The application for copyright registration shall be made on a form prescribed by the Register of Copyrights and shall include —

...

(11) any other information regarded by the Register of Copyrights as bearing upon the preparation of identification of the work, or the existence, ownership, or duration of the copyright."

Plaintiff's application was not in proper form because he refused to provide the Copyright Office with information that it was entitled to under 17 U.S.C. § 409. Apparent inconsistencies between plaintiff's applications and deposit, as well as uncertainty regarding the scope of the copyright claimed, warranted further inquiry by the Copyright Office. The Register has authority to insist that applications and registration certificates show clearly and unequivocally the facts determinative of the scope, validity and ownership of the copyright in order to prevent public deception or confusion. 2 Nimmer on Copyright § 7.21[A] at p. 7-150 n.2.

In his attempt to register plaintiff's copyrights, plaintiff's counsel submitted applications for registration of a literary work (Form TX) and three motion pictures (Forms PA) plus one ringbound notebook as a deposit. Plaintiff's counsel stated that the ringbound notebook contained "[i]dentifying materials . . . consisting of *one copy of the unpublished notes with accompanying* visual reproductions generally from each 10 minute segment [of the videotaped lectures]." However, the material accompanying the "visual reproductions" consisted of merely one or two sentence synopses of each lecture. As such, these synopses hardly appeared to constitute one complete copy of plaintiff's lecture notes.

In addition, plaintiff indicated on the Forms PA that the videotaped lectures were derivative works based on plaintiff's pre-existing lecture notes. However, the notebook which was deposited only contained brief synopses plus reproductions of pictures which plaintiff's counsel represented as constituting visual reproductions of frames from each 10 minute segment of the videotapes. Thus, it again appeared that a copy of the pre-existing lecture notes had not been deposited.

Plaintiff now asserts that half of the reproductions of pictures in the ringbound notebook were actually copies of pages from his pre-existing notes. These reproductions appear as drawings and diagrams on graph paper. However, the Copyright Office did not have the benefit of this explanation when plaintiff presented his applications, and therefore, was justified in seeking a resubmittal of plaintiff's applications with an appropriate deposit. Furthermore, the Copyright Office was certainly entitled to rely upon plaintiff's counsel's representations, made in his transmittal letter, that the materials accompanying the synopses were all taken from 10 minute segments of the videotaped lectures.

The description of the works for which registration was sought was also unclear. Plaintiff indicated that the ringbound notebook contained "Notes of lectures intended for oral delivery," and referred to pre-existing notes in the Forms PA. Yet, the ringbound notebook did not purport to contain notes, as such, but rather consisted of synopses, drawings and diagrams. Furthermore, it was not entirely clear whether plaintiff sought to register a claim to the oral lectures as a literary work or the videotapes as motion

pictures on the Forms PA. Thus, the Copyright Office properly requested clarification of the precise work for which registration was sought.

The fact that clarification was necessary is underscored by the fact that plaintiff now contends, in his affidavit, that he did not intend to seek registration for the videotaped lectures as motion pictures but rather sought to register his "performance" in delivering the lectures.¹ Yet, plaintiff's counsel submitted identifying material pursuant to 37 C.F.R. § 202.20(g) which refers explicitly to unpublished *motion pictures*.

Given the inconsistencies apparent from examination of the applications and deposit, as well as uncertainty regarding the exact work sought to be registered, the Copyright Office acted reasonably, and in accord with its regulations in requesting a resubmittal of applications, since they were not received in proper form. Indeed, plaintiff's counsel admitted during the hearing on this motion, that the applications and deposit regarding the videotaped lectures were not in proper form.

Finally, it is important to note that where unpublished works are concerned, there is a particular need for clarity in the description of the work, as well as for compliance with the deposit requirements. Since the works are unpublished, the only available record of the content of the registered works would be the applications and deposit.

Neither has "registration been refused" by the Copyright Office within the meaning of Section 411(a). Section 410(b) of Title 17 directs the Register of Copyrights to refuse registration if he determines that "the material deposited does not constitute copyrightable subject matter or that the claim is invalid for any other reason." The Register of Copyrights in this case has made no administrative determination either that the matter deposited is not copyrightable subject matter, or that plaintiff's claim is invalid for any other reason. The term "refused" as used in Section 411(a) contemplates a final decision by the Copyright Office on the merits of the registerability of the plaintiff's submission. There has been no such determination in this case. The Register has to date merely requested clarification from the plaintiff as to the nature and scope of the claim he seeks to register, and has sought to assist him in the registration process.

In essence, plaintiff has failed to exhaust his administrative remedies. Despite the fact that the Copyright Office specifically invited further correspondence (letter of February 14, 1980) plaintiff did not reply until

¹It is doubtful that a "performance" of a lecture is copyrightable. Plaintiff's present claim of a copyrightable interest in his "performance" apart from the videotaped motion pictures is not understood and appears to be contrary to existing law. In *Universal Pictures Co., Inc. v. Harold Lloyd Corp.*, 162 F.2d 354 (8th Cir. 1947), the court stated, "mere motions, voice and postures of actors and mere stage business is not subject to copyright protection." *Id.*, at 363. Title 17 by its express terms does not authorize copyright in a performance apart from its embodiment in a motion picture. In any event, the application and deposit submitted by plaintiff were clearly insufficient to delineate a claim to a copyright in a performance.

almost one year later. Plaintiff must exhaust his administrative remedies and obtain either a certificate of registration from the Copyright Office under 17 U.S.C. § 410(a) or obtain a final refusal to register before he may proceed with his infringement claim in federal court.

Accordingly, Counts I and II of plaintiff's Complaint should be dismissed without prejudice, subject to his refiling in the event that either a Certificate of Registration is issued to the plaintiff, or the Copyright Office finally refuses to register his claims as uncopyrightable.

David **QUINTO**, Plaintiff, v. **LEGAL TIMES OF WASHINGTON, INC.**, et al., Defendants

Civ. A. No. 80-1005

(United States District Court, District of Columbia—January 26, 1981)

506 F.Supp. 554. 213 USPQ 270

[See also 511 F.Supp. 579, 214 USPQ 668, and *infra* (D.D.C., Apr. 7, 1981)]

Action was brought against District of Columbia legal newspaper, its managing editor and others to recover for alleged copyright infringement in republishing an article written by plaintiff and first published in law school student newspaper. Cross motions for summary judgment were filed, with two defendants moving to dismiss for lack of personal jurisdiction and, along with other defendants, moving to dismiss for lack of subject-matter jurisdiction. The District Court, Flannery, J., held that: (1) there was no long-arm jurisdiction over those defendants who were corporate officers and part owners of parent company of defendant publisher absent allegation that they conducted any business as individuals in the District; (2) subject article, which described summer experiences of law students while employed by law firms, was a contribution to a collective work and not a work for hire and, hence, plaintiff owned the copyright; (3) reprinting of approximately 92% of plaintiff's story precluded fair use defense; and (4) although defendant managing editor may have honestly believed he had permission to reprint plaintiff's article, which did not bear a separate copyright notice but was covered under student newspaper's blanket notice, the "good faith" defense was not available where defendant editor did not have a reasonable belief that he had permission to republish.

Motion to dismiss for lack of personal jurisdiction granted; plaintiff's motion for summary judgment granted; remaining motions denied.

1. Federal Courts

Although New Jersey residents, who were corporate officers and part owners of parent company of District of Columbia newspaper which published alleged copyright infringing ar-

ticle, may have conducted substantial business in the District, they were not subject to in personam jurisdiction under long-arm statute as such activities were conducted on behalf of the corporation and there was no allegation that they conducted any business as individuals; their alleged failure to supervise activities of subsidiary in a manner which would have prevented infringement, could not be considered acts or omissions in their individual capacities. D.C.C.E. § 13-423(a)(1, 3, 4).

2. Copyrights and Intellectual Property

Article prepared by law student describing experiences which other students had in summer employment with law firms, which article was published in student newspaper, was a "contribution to a collective work" and not a "work for hire" within meaning of Copyright Act as plaintiff received no compensation, idea to write the article was entirely his and he was not a party to an express contract for hire and neither his interviews nor initial writing occurred at newspaper office and, hence, to bring copyright infringement action against newspaper which republished the article verbatim, plaintiff was not required to show a transfer from the student newspaper which published article under its blanket copyright. 17 U.S.C.A. §§ 201(b, c), 205(d).

See publication Words and Phrases for other judicial constructions and definitions.

3. Copyrights and Intellectual Property

Regardless of who owned copyright in each of quoted passages in copyrighted article the plaintiff, as author of infringed article, was proper party to bring copyright infringement action as there was no doubt that he owned the copyright in his compilation of the quotations. 17 U.S.C.A. § 101.

4. Copyrights and Intellectual Property

An original compilation such as article describing experiences of summer legal employment of law students as based on interviews with those students and describing perquisites law firms provided to summer associates, was copyrightable even though the facts or data compiled were in the public domain and not copyrightable. 17 U.S.C.A. § 101.

5. Copyrights and Intellectual Property

For an original compilation of existing matter to be copyrightable only "industrious collection" not originality in the sense of novelty, is required. 17 U.S.C.A. § 101.

6. Copyrights and Intellectual Property

Even if plaintiff, suing for copyright infringement, did not own copyright to quotations in the allegedly infringed article he had permission to use the quotations and his copyright in the compilation protected his selection, arrangement and ordering of them. 17 U.S.C.A. § 101.

7. Copyrights and Intellectual Property

Use of copyrighted material in a news story may constitute a fair use, but only if the court deems it so after considering the four statutory factors. 17 U.S.C.A. § 107.

8. Copyrights and Intellectual Property

Provision of Copyright Act setting forth the fair use doctrine was not intended to change the present judicial doctrine of fair use in any way. 17 U.S.C.A. § 107.

9. Copyrights and Intellectual Property

Admitted reprinting of approximately 92% of plaintiff's copyrighted story precluded fair use defense under both case law and Copyright Act as republication was for commercial rather than for educational purposes, almost entire article was reprinted and reprinting

eliminated possibility that plaintiff could sell his article to a legal newspaper such as defendant and for all practical purposes those newspapers represented the entire market for his article. 17 U.S.C.A. § 107.

10. Copyrights and Intellectual Property

The fair use defense is based on a concept of reasonableness and is unavailable where there has been extensive verbatim copying or paraphrasing. 17 U.S.C.A. § 107.

11. Constitutional Law

Conflicts between interest protected by First Amendment and copyright law may be resolved by application of the fair use doctrine. 17 U.S.C.A. § 107; U.S.C.A. Const. Amend. 1.

12. Constitutional Law

Distinction between ideas, news events, and factual developments, all of which are not copyrightable, and expressions of the same, which are copyrightable, serves to accommodate the competing interests of copyright and the First Amendment. U.S.C.A. Const. Amend. 1.

13. Copyrights and Intellectual Property

An intellectual property copyright protects the author's manner of expression, his analysis of interpretation of events, the way he structures his material and marshals facts, his choice of words, and emphasis he gives to particular developments. 17 U.S.C.A. § 504.

14. Copyrights and Intellectual Property

Defendants, charged with infringing separately copyrightable work published under legal newspaper's blanket copyright, had burden of showing that they were misled by the blanket copyright and acted in good faith in relying on managing editor's permission to republish subject article. 17 U.S.C.A. §§ 406, 406(a).

15. Copyrights and Intellectual Property

A separate contribution that does not bear its own copyright notice and is published in a collective work bearing a general notice is treated the same as if it had been published with the wrong name in the notice. 17 U.S.C.A. §§ 404(b), 406, 406(a).

16. Copyrights and Intellectual Property

Provision of 1976 revision of Copyright Act establishing a defense to infringement where one is misled by name in copyright notice and begins the infringing undertaking in good faith under purported transfer of license from the person so named has two purposes: to avoid technical forfeitures of owner's rights when the notice is not published in the owner's name and to protect innocent users who rely on erroneous information and when such goals conflict, the copyright holder is favored, and even an innocent, good-faith infringer who is misled by the notice, is not protected if search of copyright office records would reveal that the owner was not named in the notice. 17 U.S.C.A. § 406(a).

17. Copyrights and Intellectual Property

"Good faith" defense to action for copyright infringement if the infringer proves that he or she was misled by copyright notice naming an individual authorized by copyright owner to distribute the work and begins the undertaking in good faith under a purported transfer or license from the person named therein entails not only honesty in fact, but reasonableness as well. 17 U.S.C.A. §§ 406, 406(a).

See publication Words and Phrases for other judicial constructions and definitions.

18. Copyrights and Intellectual Property

Although managing editor of legal newspaper may have honestly believed that he had permission to reprint copyrighted article which appeared in law school student newspaper under blanket copyright notice, the editor was not entitled to "good faith" defense to charge of infringement where he relied on permission given by prior editor of student newspaper at least nine months before the article was written and article bore plaintiff's name; at a minimum the defendant editor, who made no attempt to contact plaintiff, had a duty to inquire whether the student newspaper owned the copyright. 17 U.S.C.A. §§ 404(b), 406, 406(a).

19. Copyrights and Intellectual Property

For purpose of "good faith" defense to charge of infringement of article published in law school newspaper it was not reasonable for defendant, managing editor of legal newspaper, to rely on "mutual promises of future cooperation" as made during telephone conversation with student newspaper's editor in chief as constituting permission to republish the article and, also, lack of answer to telephone message left with student editor at her automatic answering device, i.e., that defendant wished to reprint the article unless there were any objections, did not constitute reasonable grounds to believe that defendant had permission to republish. 17 U.S.C.A. §§ 404(b), 406, 406(a).

20. Federal Civil Procedure

Courts are highly reluctant to grant motions for summary judgment in copyright cases; however, summary procedure is appropriate in exceptional case. Fed. Rules Civ.Proc. Rule 56(c), 28 U.S.C.A.

21. Federal Civil Procedure

Although the parties may give different versions of the facts, summary judgment is not precluded unless the differences are material to the outcome of the litigation. Fed. Rules Civ.Proc. Rule 56(c), 28 U.S.C.A.

22. Copyrights and Intellectual Property

Although issue of "good faith" as regards defense to charge of copyright infringement based on purported transfer or license from a person named in a copyright notice who is not the copyright owner but is distributing the copyrighted matter with owner's authority is normally one to be decided as a fact issue, it is a question of law where only one inference is possible from the evidence, and a summary disposition was appropriate where "good faith" was not a question of motive or belief but was one of reasonableness and duty of inquiry. 17 U.S.C.A. §§ 406, 406(a); Fed. Rules Civ.Proc. Rule 56(c), 28 U.S.C.A.

David Quinto, pro se.

E. Fulton Brylawski, J. Michael Cleary, Edwin Komen, Brylawski & Cleary, Washington, D.C., for defendants Beckwith and Legal Times.

MEMORANDUM

FLANNERY, *District Judge*. This suit for copyright infringement comes before the court on cross-motions for summary judgment. Defendants Stephen A. Glasser and Lynn S. Glasser have filed a motion to dismiss for lack of personal jurisdiction. The Glassers, the *Legal Times*, and defendant David C. Beckwith have filed a motion to dismiss for lack of subject matter jurisdiction.

Facts

Accepting defendants' version of the facts, in late July or early August, 1979, plaintiff, a second-year student at Harvard Law School, decided to write an article describing the experiences Harvard Law students had while employed by law firms in the summer of 1979. Plaintiff prepared the article by interviewing his friends and recording their remarks in a notebook. Some of his notes included extensive quotations.

Plaintiff then wrote an article based on these interviews and submitted it to the editor-in-chief of the *Harvard Law Record*, a newspaper published by students at Harvard Law School. The article consisted primarily of descriptions of the perquisites law firms provided to their summer associates. Minor editorial changes were made and the final product appeared on the front page of the September 21, 1979 *Harvard Law Record* under the title of "HLS Clerks Get Offers They (Sigh) Can't Refuse." The byline read "By Dave Quinto".

The article did not bear a separate copyright notice. However, the masthead of the newspaper carried a copyright notice in the name of the Harvard Law School Record Corporation which satisfied the blanket notice provision contained in 17 U.S.C. § 404(a).

The *Legal Times* published a verbatim copy of plaintiff's article in its October 15, 1979 issue. The only difference in the article as it appeared in the *Harvard Law Record* and in the *Legal Times* is that the *Legal Times* deleted two of the seventeen paragraphs, apparently so that the article would fit on the page.

Plaintiff registered a claim of copyright in his article with the United States Copyright Office on December 6, 1979 in order to preserve his legal remedies under the Copyright Act.

Glassers' Motion to Dismiss for Lack of Personal Jurisdiction

Defendants Stephen A. Glasser and Lynn S. Glasser are corporate officers and part-owners of the parent company of the *Legal Times*. They reside in New Jersey and exercise control over some aspects of the newspaper's operations. Plaintiff seeks to find them liable for the alleged copyright infringement on the grounds they benefited from it and had the ability to prevent it. See *Warner Bros., Inc. v. O'Keefe*, 468 F.Supp. 16, 19 (S.D.Iowa 1978).

The only basis for this court exercising personal jurisdiction over the Glassers is the District of Columbia Long-Arm Statute, D.C.Code § 13-423. The statute provides in relevant part, as follows:

- (a) A District of Columbia court may exercise personal jurisdiction over a person, who acts directly or by an agent, as to a claim for relief arising from the person's—

(1) transacting any business in the District of Columbia;

.

(3) causing tortious injury in the District of Columbia by an act or omission in the District of Columbia;

(4) causing tortious injury in the District of Columbia by an act or omission outside the District of Columbia if he regularly does or solicits business, engages in any other persistent course of conduct, or derives substantial revenue from goods, used or consumed, or services rendered in the District of Columbia;

.

[1] While the Glassers may have conducted substantial business in the District of Columbia, their activities were conducted on behalf of the corporation. There is no allegation that they conducted any business as individuals, and as a result, sections (a)(1) and (a)(4) of the Long-Arm Statute are not available to plaintiff as a basis for jurisdiction. *Security Bank, N.A. v. Tauber*, 347 F.Supp. 511, 516 (D.D.C.1972). Similarly, the Glassers' failure to supervise the activities of the *Legal Times* in a manner which would have prevented republication of plaintiff's article cannot be considered acts or omissions in their individual capacities, since any actions they might have taken would have been in their official capacities. Thus jurisdiction cannot be conferred by section (a)(3).

Accordingly, the Glassers' motion to dismiss for lack of personal jurisdiction is granted.

Motion to Dismiss for Lack of Subject Matter Jurisdiction

Defendants contend that the court lacks subject matter jurisdiction over this action because of plaintiff's failure to record a transfer of copyright in the Copyright Office as required by § 205(d) of the Copyright Act, 17 U.S.C. That section provides that

No person claiming by virtue of a transfer to be the owner of a copyright or any exclusive right under copyright is entitled to institute an infringement action under this title until the instrument of transfer under which such person claims has been recorded in the Copyright Office, but suit may be instituted after such recordation on a cause of action that arose before recordation.

According to defendants, plaintiff must claim a copyright in his work by virtue of a transfer because the *Harvard Law Record* owned the copyright to the article, either because it was a work for hire or because plaintiff assigned his copyright to the *Record* and later ratified the assignment. It is not disputed that when the *Record* executed a document assigning its copyright in plaintiff's article to him, he did not record the transfer.

Section 201(b) of the Copyright Act states that in the case of a work made for hire, employer or person for whom the work was prepared owns the copyright. In contrast, under § 201(c) the copyright to a separate

contribution to a collective work vests initially in the author. Thus the court must decide whether Quinto's article is a work for hire or a contribution to a collective work.

A comprehensive treatment of the difference between a contribution to a collective work and a work for hire is found in *Picture Music, Inc. v. Bourne, Inc.*, 314 F.Supp. 640, 649-52 (S.D.N.Y.1970), *aff'd* 457 F.2d 1213 (2d Cir.), *cert. denied*, 409 U.S. 997, 93 S.Ct. 320, 34 L.Ed.2d 262 (1972). The court listed numerous factors bearing on the distinction, including whether the author was paid for his work; whether he created the work of his own volition; whether the author was a party to an express contract for hire, especially one restricting his freedom to engage in other writing activities for hire; whether the author maintained regular working hours, and whether the creative work occurred at the employer's place of business.

[2] It would be difficult to envision a case where it is more clear than it is here that the article was a contribution to a collective work and not a work for hire. It is uncontested that plaintiff received no compensation for his article, that the idea to write it was entirely his, that he was not a party to an express contract for hire and was free to engage in other writing activities for pay, that he had no regular working hours and that neither the interviews nor the initial writing occurred at the *Record's* offices.

To prevail on this motion, defendants must show that the *Record* owned the copyright to plaintiff's article. To do so, they depend on an assignment of copyright from the *Record* to Quinto. It came about because plaintiff thought the Copyright Office might take the position that his article was a work for hire, in which case he would need the assignment to register his copyright. To counter this possibility, on October 28, 1979, plaintiff and the *Record* executed a document assigning the *Record's* entire interest in plaintiff's article to him. Plaintiff then represented to defendants and to the Copyright Office that he had received such an assignment. However, the Copyright Office viewed his article as a contribution to a periodical and returned the assignment document because it was unnecessary. Defendants now contend that the assignment and the representations made to them constitute a ratification and confirmation of the validity of the *Record's* copyright in the article.

However, under § 201(c) the assignment from the *Record* to Quinto had no legal effect because the *Record* at no time owned the copyright to Quinto's article and thus it had no rights to assign. Plaintiff's article was a contribution to a collective work, and as such, he owned the copyright to it from the moment it was fixed in tangible form

Copyright in each separate contribution to a collective work is distinct from copyright in the collective work as a whole, and vests initially in the author of the contribution. In the absence of an express transfer of the copyright or any rights under it, the owner of copyright in the collective work is presumed to have acquired

only the privilege of reproducing and distributing the contribution as part of that particular collective work, any revision of that collective work, and any later collective work in the same series.

17 U.S.C. § 201(c) (emphasis added).

There was no express transfer of copyright from Quinto to the *Record*, so the *Record*, had no rights in the article except those pertaining to the collective work. It is immaterial that plaintiff did not record the assignment from the *Record* to him, since plaintiff's claim to the copyright was by virtue of *authorship* and not by virtue of *transfer*. Therefore, defendants' motion to dismiss for lack of subject matter jurisdiction is denied.

Defenses

[3] The defendants first claim that the plaintiff is not the copyright proprietor of the extensive quotations used in his article and therefore he is not the proper party to bring this suit. Regardless of who owns the copyright in each of the quoted passages in the article, there can be no doubt that Quinto owns the copyright in his compilation of the quotations.

A "compilation" is a work formed by the collective assembling of preexisting materials or of data that are selected, coordinated or arranged in such a way that the resulting work as a whole constitutes an original work of authorship.

17 U.S.C. § 101.

[4-6] An original compilation such as Quinto's is copyrightable even though the facts or data compiled are in the public domain and not copyrightable. Only "industrious collection," not originality in the sense of novelty is required. *Schroeder v. William Morrow & Co.*, 566 F.2d 3,5 (7th Cir. 1977). Even if Quinto did not own the copyright to the quotations in his article, he had permission to use the quotations and his copyright in the compilation protects his selection, arrangement, and ordering of them.

Defendants next claim they are protected by the fair use defense. As they interpret that defense, copying is not considered an infringement of a copyright when the copying is for news reporting. Examination of the statute shows otherwise:

. . . the fair use of a copyrighted work, . . . for purposes such as criticism, comment, news reporting, . . . is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include:

(1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;

(2) the nature of the copyrighted work;

(3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and

(4) the effect of the use upon the potential market for or value of the copyrighted work.

17 U.S.C. § 107.

[7, 8] Use of copyrighted material in a news story may constitute a fair use, but only if the court deems it so after considering the four factors listed in the statute. Before turning specifically to the four factors, it should be noted that the legislative history of § 107 clearly states that the statute is not intended to change the present judicial doctrine of fair use in any way. H.Rep.No.94-1476, 94th Cong., 2d Sess. at 65, U.S.Code Cong. & Admin.News 1976, p. 5659.

[9, 10] The admitted reprinting of approximately 92% of plaintiff's story precludes the fair use defense under prior law. It is well settled that the fair use defense is based on a concept of reasonableness and that it is unavailable where there has been extensive verbatim copying or paraphrasing such as in this case. *Benny v. Lowe's Inc.*, 239 F.2d 532 (9th Cir. 1956), *affirmed by an equally divided Court*, 356 U.S. 43, 78 S.Ct. 667, 2 L.Ed.2d 583 (1958); *Rosemont Enterprises, Inc. v. Random House, Inc.*, 366 F.2d 103 (2d Cir. 1966), *cert. denied*, 385 U.S. 1009, 87 S.Ct. 714, 17 L.Ed.2d 546 (1967); *Walt Disney Productions v. Air Pirates*, 581 F.2d 751 (9th Cir. 1978), *cert. denied*, 439 U.S. 1132, 99 S.Ct. 1054, 59 L.Ed.2d 94 (1979).

Consideration of the four factors listed in § 107 also militates against allowing a fair use defense in this case. First, the republication was for commercial rather than educational purposes. Second, almost the entire article was reprinted. Finally, the reprinting eliminated the possibility that plaintiff could sell his article to a legal newspaper such as the *Legal Times*, and for all practical purposes those newspapers represented the entire market for his article. As Judge Kaufman recently stated, "The fair use doctrine is not a license for corporate theft, empowering a court to ignore a copyright whenever it determines the underlying work contains material of possible public importance." *Iowa State University Research Foundation, Inc. v. American Broadcasting Co., Inc.*, 621 F.2d 57, 61 (2d Cir. 1980).

[11-13] Defendants also assert that they have a First Amendment right to reprint plaintiff's article. Conflicts between interests protected by the First Amendment and the copyright laws have been resolved by application of the fair use doctrine. *Wainwright Securities, Inc. v. Wall Street Transcript Corp.*, 558 F.2d 91, 95 (2d Cir. 1977), *cert. denied*, 434 U.S. 1014, 98 S.Ct. 730, 54 L.Ed.2d 759 (1978). The distinction between ideas, news events, and factual developments, all of which are not copyrightable, and expressions of the same, which are copyrightable, serves to accommodate the competing interests of copyright and the First Amendment. Copyright protects the author's manner of expression, his analysis or interpretation of events, the way he structures his material and marshals

facts, his choice of words, and the emphasis he gives to particular developments. 558 F.2d at 95–96. The defendants in this case cannot claim First Amendment protection because they have not merely used the newsworthy facts in Quinto's article, they have appropriated his expression of those facts. *Wainwright Securities, Inc. v. Wall Street Transcript Corp.*, 558 F.2d at 96; *Sid & Marty Krofft Television v. McDonald's Corp.*, 562 F.2d 1157, 1170–71 (9th Cir. 1977). See generally Nimmer, Does Copyright Abridge The First Amendment Guarantee of Free Speech and Press? 17 U.C.L.A.L.Rev. 1180 (1970).

Summary Judgment

[14, 15] Section 404(b) of the Copyright Act provides that where a person named in a single copyright notice applicable to the entire work is not the owner of the copyright in a separate contribution, the case is governed by § 406(a). Section 406(a) provides in relevant part

Where the person named in the copyright notice on copies or phonographs publically distributed by authority of the copyright owner is not the owner of [the] copyright, the validity and ownership of the copyright are not affected. In such a case, however, any person who innocently begins an undertaking which infringes the copyright has a complete defense to any action for such infringement if such person proves that he or she was misled by the notice and began the undertaking in good faith under a purported transfer or license from the person named therein...¹

Thus the statute places the burden on defendants of showing they were misled and acted in good faith.

The issues before this court on cross-motions for summary judgment are whether the *Legal Times* was misled by the general copyright notice and whether it reprinted Quinto's article innocently and in good faith. As such this is a case of first impression. No cases have interpreted § 406(a), which was part of the extensive 1976 copyright revision, and the Act does not define goodwill or any of the other key terms at issue here. In addition, § 406 has no counterpart in prior law and the legislative history is not dispositive of the issues before the court.

The affidavit of David C. Beckwith, managing editor of the *Legal Times*, sets out the facts which the court must accept as true for purposes of this summary judgment motion.² According to the affidavit, in late 1978 or early 1979 Beckwith had a series of telephone conversations with

¹As a result, a separate contribution that does not bear its own copyright notice and is published in a collective work bearing a general notice is treated the same as if it has been published with the wrong name in the notice. H.Rep.No.94-1476 at 146.

²Beckwith was the only employee of the *Legal Times* who dealt with the *Harvard Law Record* with respect to the Quinto article.

the then editor-in-chief of the *Harvard Law Record*, Tammy Jacobs. She purportedly gave the *Legal Times* "general permission" to republish materials originally published in the *Record*.

Beckwith states he also had a telephone conversation with Ms. Jacobs' successor, Jorie Roberts, on September 20, 1979 "during which mutual promises of future cooperation between the *Harvard Law Record* and the *Legal Times of Washington* were made." He decided to republish the Quinto article after reading it in the September 21 issue, and "assumed that the previously granted general republication permission would be sufficient to permit the proposed republication of the article by the *Legal Times*."

Although assuming he had permission to republish, Beckwith unsuccessfully attempted to contact Ms. Roberts of the *Record* by telephone on four occasions prior to reprinting the Quinto article. On one occasion he left a message with an automatic recording device at the *Record* office that he wished to reprint the article unless there were any objections. Beckwith did not receive an answer to his message.

It is important to note what Beckwith did not do. First, he does not claim to have ever received specific permission from the *Record* to reprint Quinto's article. Second, he made no attempt to ascertain whether the Harvard Law School Record Corporation owned the copyright to the article. Third, he does not contend that the *Legal Times* ever reprinted any articles from the *Record* other than Quinto's during the period Beckwith claims he had permission to do so. Finally, it is undisputed that Beckwith made no attempt to contact the plaintiff, who was clearly listed as the author of the article.

In deciding whether Beckwith's actions constitute good faith under § 406(a), the court must consider the purpose of both the Copyright Act and § 406. According to the Supreme Court, "to encourage people to devote themselves to intellectual and artistic creation, Congress may guarantee to authors and inventors a reward in the form of control over the sale or commercial use of copies of their works." *Goldstein v. California*, 412 U.S. 546, 556, 93 S.Ct. 2303, 2309, 37 L.Ed.2d 163 (1973). Congress made such a guarantee by enacting the copyright laws.

[16] Section 406(a) has two purposes: to avoid technical forfeitures of the copyright owner's rights when the copyright notice is not published in the owner's name and to protect innocent users of copyrighted material who rely on erroneous information. H.Rep.No.94-1476 at 149. When these goals conflict, the statute favors the copyright holder. For example, even an innocent, good faith infringer who was misled by the copyright notice is not protected if a search of the Copyright Office records would have revealed that the owner was someone other than the person named in the notice. H.Rep.No.94-1476 at 149.

The court must assume that Beckwith honestly believed he had permission to reprint Quinto's article. However, if honesty in fact were the only

element of the 406(a) good faith requirement, anyone could infringe a contribution to a collective work if he could show an honest belief—however unreasonable that belief might be—that he had permission to republish from the newspaper or magazine in which the article appeared.

[17] Given that both § 406(a) and the Copyright Act as a whole emphasize protecting the copyright holder, such a reading would defeat the purpose of the statute. Therefore, the court concludes that good faith in the context of this case entails not only honesty in fact, but reasonableness as well. Other bodies of law take the same approach. The Uniform Commercial Code defines good faith in the case of a merchant as honesty in fact and the observance of reasonable commercial standards, U.C.C. § 2-103(1)(b), and commentators have noted that good faith and reasonableness are the basic principles running throughout the code. *See, e.g.,* Farnsworth, Good Faith Performance and Commercial Reasonableness under the Uniform Commercial Code, 30 *U.Chi.L.Rev.* 666 (1963). The concept of good faith is also utilized in § 2(b) of the Robinson-Patman Act, 15 U.S.C. § 13(b), which allows a seller to practice price discrimination if his price is set in good faith to meet competition. The Supreme Court has interpreted that provision to require the seller to “show the existence of facts which lead a reasonable and prudent person to believe that the granting of a lower price would in fact meet the equally low price of a competitor.” *United States v. United States Gypsum*, 438 U.S. 422, 451, 98 S.Ct. 2864, 2880, 57 L.Ed.2d 854 (1978) *quoting* *FTC v. A. E. Staley Mfg. Co.*, 324 U.S. 746, 759–760, 65 S.Ct. 971, 977, 89 L.Ed. 1338 (1945). Section 20(a) of the Securities Exchange Act, 15 U.S.C. § 78t(a), provides a good faith defense for “controlling persons.” Courts have, with considerable unanimity, required that to satisfy good faith the controlling person must have maintained a “reasonable” system of supervision. *Zweig v. Hearst Corp.*, 521 F.2d 1129, 1134–35 (9th Cir.) *cert. denied*, 423 U.S. 1025, 96 S.Ct. 469, 46 L.Ed.2d 399 (1975); *Carpenter v. Harris, Upham & Co., Inc.*, 594 F.2d 388, 394 (4th Cir.), *cert. denied*, 444 U.S. 868, 100 S.Ct. 143, 62 L.Ed.2d 93 (1979).

[18, 19] On the facts of this case, Beckwith, a member of the bar³ acting on behalf of a legal newspaper, could not reasonably rely upon the vague oral permission given him to reprint any article from the *Harvard Law Record* as constituting permission to republish the Quinto article, particularly since the permission was given by a previous editor at least nine months before the Quinto article was ever written. Nor was it reasonable for him to rely upon “mutual promises of future cooperation” made during the September 20, 1979 telephone conversation with the *Record's* editor-in-chief as constituting permission. Finally, the lack of an answer to

³Beckwith is admitted to practice in Texas and the District of Columbia and was the editor of the law section of *Time* magazine.

the telephone message Beckwith left with the automatic answering device did not create reasonable grounds for believing he had permission to reprint the article.

A second, and more important reason for denying Beckwith the defense afforded by § 406(a) is that the statute requires the defendant to have been misled by the blanket copyright notice in the name of the Harvard Law School Record Corporation. It is difficult to imagine how the notice could have been so misleading that Beckwith did not even have a duty to inquire who owned the copyright in the article, since the article clearly bore Quinto's name. In fact, it might be argued that ambiguity as to who owned the copyright—which arose because of the blanket notice—*increased* Beckwith's duty to inquire about ownership, particularly since the *Legal Times* had never before reprinted an article from the *Harvard Law Record*. At a minimum Beckwith had a duty to inquire whether the *Record* owned the copyright to Quinto's article in order to claim he was misled and acted in good faith.⁴

Requiring that a party who obtains a vague, oral permission to reprint articles from a student newspaper must inquire as to who owns the copyright in the article it wishes to reprint in order to successfully assert a § 406(a) defense is consistent with well-established copyright principles. As Judge Clark observed, "the protection accorded literary property would be of little value if . . . insulation from payment of damages could be secured by a publisher by merely refraining from making inquiry." *DeAcosta v. Brown*, 146 F.2d 408, 412 (2d Cir. 1944), *cert. denied*, 325 U.S. 862, 65 S.Ct. 1197, 89 L.Ed. 1983 (1945) *quoted in Shapiro, Bernstein & Co. v. H. L. Green Co.*, 316 F.2d 304, 308 (2d Cir. 1963).

Cases from other bodies of law also support the view that good faith includes a duty to inquire. For example, casual reliance on uncorroborated reports of buyers or sales representatives may not be sufficient to make the requisite showing of good faith under § 2(b) of the Robinson-Patman Act, *United States v. United States Gypsum, supra*, 438 U.S. at 453, 98 S.Ct. at 2881, and in some instances to perfect a good faith defense a seller must do everything reasonably feasible to verify a customer's statement short of violating another statute. 438 U.S. at 454, 98 S.Ct. at 2882, n.29. In the commercial law context, willful ignorance or failure to inquire may negate good faith, *see Travis Investment Co. v. Harwyn Publishing Corp.*, 288 F.Supp. 519, 526 (S.D.N.Y. 1968), and in some instances failure to inquire may constitute bad faith. *Otten v. Marasco*, 353 F.2d 563, 565 (2d Cir. 1965).

⁴It is not necessary to decide whether Beckwith had a duty to contact Quinto as well.

Conclusion

Rule 56(c), Fed.R.Civ.P. provides that a motion for summary judgment shall be granted “if the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to summary judgment as a matter of law.”

[20, 21] Although courts are highly reluctant to grant motions for summary judgment in copyright cases, *see, e.g., Arnstein v. Porter*, 154 F.2d 464 (2d Cir. 1946), this is an exceptional case in which summary judgment is appropriate. While the parties to this lawsuit give different versions of the facts,⁵ summary judgment is not precluded unless the differences are material to the outcome of the litigation, and here they are not. *See Kiess v. Eason*, 442 F.2d 712, 713 (7th Cir. 1971) (Stevens, J.). The key issue is whether defendant Beckwith acted in good faith. The court has before it extensive pleadings, documents, answers to interrogatories, and affidavits. Beckwith’s affidavit sets out his version of the contacts he had with the *Harvard Law Record* prior to reprinting Quinto’s article. There is nothing Beckwith could show at a trial, consistent with his affidavit, which would lead to a finding that he was misled and acted in good faith. He admits that he did not speak to anyone from the *Harvard Law Record* after Quinto’s article appeared in that newspaper. As a result, Beckwith could not have obtained specific permission to reprint Quinto’s article or inquired as to who owned the copyright in the article.

[22] The court has viewed the evidence and the inferences which may be drawn from it in the light most favorable to the defendant and concluded that plaintiff is entitled to prevail as a matter of law. *See Gard v. United States*, 594 F.2d 1230, 1232 (9th Cir.) *cert. denied*, 444 U.S. 866, 100 S.Ct. 138, 62 L.Ed.2d 90 (1979). Although the issue of good faith is normally one to be decided as a factual issue, it is a question of law where only one inference is possible from the evidence. *Community Bank v. Ell*, 278 Or. 417, 564 P.2d 685, 691 (1977) (commercial law). *See also Coast Trading Co. v. Cudahy Co.*, 592 F.2d 1074, 1080 (9th Cir. 1979) (“We find that as a matter of law, the plaintiff did not satisfy the elements of good faith and commercial reasonableness . . .”) (commercial law); *Zweig v. Hearst Corp.*, *supra* (affirming grant of summary judgment on issue of good faith) (securities law). Here good faith is not a question of motive or belief, for the court assumes that Beckwith honestly believed he had permission to reprint Quinto’s article. Rather, the issue is reasonableness and the duty of inquiry, which can be a question of law.

⁵For example, plaintiff seriously disputes whether defendant ever obtained general oral permission to reprint articles from the *Harvard Law Record*.

Pursuant to 17 U.S.C. § 504, plaintiff is entitled to an award of statutory damages. In addition, plaintiff is entitled to attorney's fees under 17 U.S.C. § 505. The amounts of these awards will be determined after further consideration by the court.

An appropriate Order accompanies this Memorandum.

David QUINTO, Plaintiff, v. LEGAL TIMES OF WASHINGTON,
INC., et al., Defendants

Civ. A. No. 80-1005

(United States District Court, District of Columbia—April 7, 1981)

511 F.Supp. 579. 214 USPQ 668

[See also 506 F.Supp. 554, 213 USPQ 270, and *supra* (D.D.C., Jan. 26, 1981)]

Following finding of copyright infringement, pro se litigant sought award of attorney fees. The District Court, Flannery, J., held that: (1) attorney fees may be awarded to pro se litigant; (2) there is no requirement of showing of public benefit; but (3) amount of time expended by the pro se litigant would be reduced in computing the award as the litigant was dealing with an unfamiliar subject and would not be permitted to charge the defendants for his education.

Order accordingly.

1. Copyrights and Intellectual Property

The purpose of the Copyright Act is to encourage people to devote themselves to intellectual and artistic creation by granting authors the exclusive right to the fruits of their labor.

2. Copyrights and Intellectual Property

Attorney fees may be awarded to a prevailing pro se litigant in a copyright infringement action. 17 U.S.C.A. § 505.

3. Records

Award of attorney fees under the Freedom of Information Act is appropriate only where the suit results in a benefit to the public. 5 U.S.C.A. § 552.

4. Copyrights and Intellectual Property

There is no requirement of a showing of public benefit before attorney fees can be awarded in a copyright case. 17 U.S.C.A. § 505.

5. Copyrights and Intellectual Property

Where award of statutory damages, costs, and attorney fees exceeded the \$500 offer of judgment made by the defendants in recovering infringement action, plaintiff's refusal of their offer did not preclude an award of attorney fees. Fed.Rules Civ. Proc. Rule 68, 28 U.S.C.A.; 17 U.S.C.A. § 505.

6. Copyrights and Intellectual Property

Considering the fair market value of plaintiff's copyrighted law article and the amount which the infringers saved by copying the article, court would award statutory damages of \$250. 17 U.S.C.A. § 504(c)(1).

7. Copyrights and Intellectual Property

In awarding attorney fees to pro se litigant in copyright action, court would reduce the amount of time expended by the pro se litigant as he was dealing with an unfamiliar subject. 17 U.S.C.A. § 505.

8. Copyrights and Intellectual Property

In making award of attorney fees in favor of pro se litigant in copyright action, court would base the award on 100 hours of work. 17 U.S.C.A. § 505.

9. Copyrights and Intellectual Property

Court, having awarded \$250 statutory damages to pro se litigant in copyright action and having determined that 100 hours of work by the pro se litigant was reasonable, would award attorney fees in the amount of \$500. 17 U.S.C.A. § 505.

David Quinto, plaintiff, pro se.

E. Fulton Brylawski, J. Michael Cleary, Edwin Komen, Brylawski & Cleary, Washington, D.C., for defendants Beckwith and Legal Times.

FLANNERY, *District Judge*.

MEMORANDUM OPINION

On January 26, 1981, this court found that the defendants had infringed plaintiff's copyright in an article which appeared in the September 21, 1979 *Harvard Law Record*. This matter is now before the court on plaintiff's application for statutory damages, costs, and attorney fees.

Section 505, 17 U.S.C., provides as follows:

In any civil action under this title, the court in its discretion may allow the recovery of full costs by or against any party other than the United States, or an officer thereof. Except as otherwise provided by this title, the court may also award a reasonable attorney's fee to the prevailing party as part of the costs.

This represents a substantial departure from the 1909 Copyright Act. Under the old law 17 U.S.C. § 116, it was mandatory that full costs be awarded to the prevailing party in a copyright infringement action while attorney's fees were discretionary. The new Act leaves both matters to the court's discretion. *See 3 Nimmer on Copyright* § 14,09 at 14-62.

Plaintiff, a second-year law student, represented himself in this action. The defendants contend that no award of attorney's fees should be made to a *pro se* litigant. They point out that there are no reported cases in which a prevailing party acting *pro se* in a copyright infringement suit has been awarded attorney's fees for the value of his time and there is nothing in the legislative history of the present Copyright Act or the prior Act which shows a *pro se* litigant is eligible for such an award. They further argue that even if a *pro se* litigant may receive attorney's fees, such an award is inappropriate in this case.

Discussion

[1] The purpose of the Copyright Act is to encourage people to devote themselves to intellectual and artistic creation by granting authors the exclusive right to the fruits of their labor. *See Goldstein v. California*, 412 U.S. 546, 556, 93 S.Ct. 2303, 2309, 37 L.Ed.2d 163 (1973). Thus a successful suit for copyright infringement involves more than just the vindication of private property rights, for if the Act were not enforced by private suits, the incentives Congress established to encourage authorship would have little effect. One way Congress sought to ensure that the Copyright Act would be enforced was to provide for discretionary awards of costs and attorneys fees. *See, e.g., Breffort v. I Had A Ball Co.*, 271 F.Supp. 623, 627 (S.D.N.Y. 1967) ("The purpose of an award of attorney's fees to a plaintiff is to deter copyright infringement."). An award of attorney's fees helps to ensure that all litigants have equal access to the courts to vindicate their statutory rights. It also prevents copyright infringements from going unchallenged where the commercial value of the infringed work is small and there is no economic incentive to challenge an infringement through expensive litigation. *See Blumcraft of Pittsburgh v. Newman Bros., Inc.*, 337 F.Supp. 859, 863 (S.D.Ohio 1971). In addition, an award of attorney's fees serves to penalize the losing party as well as to compensate the prevailing party. *Boz Scaggs Music v. KND Corp.*, 491 F.Supp. 908, 915 (D.Conn.1980); *Leo Feist, Inc. v. Apollo Records, N.Y. Corp.*, 300 F.Supp. 32, 43 (S.D.N.Y.) *aff'd* 418 F.2d 1249 (2d Cir. 1969), *cert. denied*, 398 U.S. 904, 90 S.Ct. 1694, 26 L.Ed.2d 63 (1970).

[2] It is wholly consistent with the congressional intent that the Copyright Act be privately enforced to award attorney's fees to a prevailing *pro se* litigant. To deny such a litigant attorney's fees solely on the grounds that he did not incur any liability to pay attorney's fees ignores the fact that a *pro se* litigant must forego other activities in order to prepare and pursue his case. Thus the rule in this Circuit is that a *pro se* plaintiff may receive an award of attorney's fees in a suit based on the Freedom of Information Act. *Cox v. United States Department of Justice*, 601 F.2d 1, 5-6 (D.C. Cir. 1979); *Cuneo v. Rumsfeld*, 553 F.2d 1360, 1366 (D.C. Cir. 1977). *But cf. Crooker v. United States Department of the Treasury*, 634

F.2d 48 (2d Cir. 1980) (refusing an award of attorneys fees to a *pro se* prisoner who made no showing that prosecuting a lawsuit diverted him from income-producing activity); *Crocker v. United States Department of Justice*, 632 F.2d 916, 920-21 (1st Cir. 1980).

[3, 4] The defendants contend, correctly, that an award of attorney's fees under the FOIA is appropriate only where the suit results in a benefit to the public. From this they reason that this case involved only a personal property interest, and thus an award of attorney's fees is inappropriate here. However, the legislative history of the FOIA specifies four criteria to be considered by a court in deciding whether to award attorney's fees, including the benefit to the public. *See Cuneo v. Rumsfeld, supra*, 553 F.2d at 1364-65. Even if the court were to assume there is no public benefit in this copyright suit, neither the legislative history nor the common law impose any requirement that there must be a showing of public benefit before a fee can be awarded in a copyright case.

The defendants argue that even if a prevailing *pro se* plaintiff may be awarded attorney's fees in a copyright infringement action, the circumstances in this case do not justify an award. They first contend that there should be no award where the defense to the action was made in good faith or where the case presents a novel and complex question of law. In *Baldwin Cooke Co. v. Keith Clark, Inc.*, 420 F.Supp 404 (N.D.Ill.1976), the court found that plaintiff's work had been copied for the purpose of enabling the defendant to offer the public a substitute for plaintiff's work. Although the court found no damage to plaintiff's goodwill, and although it accepted as true defendant's statement that it at all times acted in good faith and on the advice of counsel, the court awarded plaintiff substantial attorney's fees. In the present case the court specifically held that the defendants had not acted in good faith. In addition, the sole reason a novel question was presented was because the infringement was so clear-cut that the court was able to rule that an infringement had occurred as a matter of law.

[5] Defendants next contend that no award should be made because plaintiff refused to accept a reasonable settlement offer or to negotiate in good faith. It suffices to say that this court's award of statutory damages, costs, and attorney's fees exceed the \$500 offer of judgment defendants made under Rule 68, Fed.R.Civ.P. Thus none of the justifications for denying an award of attorney's fees is present in this case and the court will order defendants to pay plaintiff's costs, including a reasonable attorney's fee.

[6] Plaintiff in this case has elected to recover statutory damages rather than actual damages, and the court must award him an amount not greater than \$10,000 and not less than \$250. See 17 U.S.C. § 504(c)(1). Within those limits, the assessment of damages lies within the court's sound discretion. Considering the fair market value of plaintiff's article and the

amount defendants saved by copying plaintiff's article rather than writing their own, the court awards statutory damages of \$250.

[7-9] Plaintiff has documented \$583.54 in costs, not including attorney's fees.¹ The court will award him the full \$583.54. In determining a reasonable attorney's fee the court will take into account the amount of work which was necessary, the skill employed, the monetary amount involved, and the result achieved. *See 3 Nimmer on Copyright* § 14.10[C] at 14-68. However, the amount of time expended by plaintiff must be substantially reduced since he was "dealing with an unfamiliar subject and cannot fairly charge defendants[s] for [his] education."² *Orgel v. Clark Boardman Co.*, 128 U.S.P.Q. 531, 532 (S.D.N.Y.1960) *modified* 301 F.2d 119 (2d Cir. 1962) (further reducing attorney's fees from \$10,000 to \$5,000). Accordingly, the court will award plaintiff attorney's fees of \$500.

RECORDING INDUSTRY ASSOCIATION OF AMERICA, Petitioner,
v. **COPYRIGHT ROYALTY TRIBUNAL** and the United States of
America, Respondents,

Amusement and Music Operators' Association, National Music Publishers' Association, Inc., National Association of Recording Merchandisers, American Guild of Authors and Composers, and Nashville Songwriters Association International, Intervenors

Nos. 80-2545, 80-2579, 81-1001, 81-1002, 81-1128, 81-1129 and 81-1233
to 81-1236

(*United States Court of Appeals, District of Columbia Circuit—Argued
June 18, 1981—Decided June 23, 1981—Opinion August 27, 1981*)

662 F.2d 1. 213 U.S.App.D.C. 156. 212 USPQ 69

Parties on both the receiving and the paying ends of royalties payable from copyrighted musical works petitioned for review of decision of the Copyright Royalty Tribunal which in-

¹These costs are broken down as follows: \$10 filing fee; \$35 United States Marshal's fees; \$18 other charges relating to service of process; \$434.52 transcripts of two depositions; \$59.25 xeroxing; \$26.77 postage.

²Plaintiff claimed over 200 hours work on this case. The court feels that roughly 100 hours work were necessary. Also, the hourly rate at which plaintiff is being compensated has necessarily been reduced in order that the attorney's fees award bears a reasonable relationship to the award of damages.

creased the royalty payable under the compulsory license for making and distributing phonorecords of copyrighted musical works. The Court of Appeals, ____ F.2d ____, entered judgment upholding Tribunal in part, and reversing and remanding in part. In a supplemental opinion, the Court of Appeals, Mikva, Circuit Judge, held that: (1) based on the statutory objectives of the Copyright Act and the character of the determination they required, the Copyright Royalty Tribunal adequately explained its choice of a royalty rate; (2) Tribunal's decision that royalty rates must be reasonable as set, and must not yield an unfairly large return, was based on a reasonable interpretation of statutory language of the Copyright Act and was entitled to deference on judicial review; but (3) the Tribunal impermissibly awarded itself discretion to reevaluate economic conditions in the recording industry as a part of its rate adjustment mechanism, and case would be remanded to tribunal for further proceedings to allow Tribunal, if it so desired, to adopt alternative scheme of interim rate adjustment that did not require annual exercise of discretion.

Affirmed in part, reversed in part, and remanded.

1. Administrative Law and Procedure

Reviewing court's responsibilities under the "arbitrary and capricious" standard of review of the Administrative Procedure Act include ascertaining facts on which agency relied in making its decision, determining whether those facts have some basis in the record, and judging whether a reasonable decision maker could respond to those acts as agency did. 5 U.S.C.A. § 706(2)(A, E).

2. Administrative Law and Procedure

When applying the "arbitrary and capricious" standard of review of the Administrative Procedure Act to an agency's determinations, reviewing court must bear in mind that the thoroughness of the factual support an agency can supply for its decision will vary with the nature of the decision being made. 5 U.S.C.A. § 706(2)(A).

3. Copyrights and Intellectual Property

The Copyright Royalty Tribunal, established by the Copyright Act, adequately explained its reasons and adduced support for its adjustment of the royalty rate payable under the compulsory license for making and distributing phonorecords of copyrighted musical works. 17 U.S.C.A. §§ 101-810, 115, 803(b).

4. Copyrights and Intellectual Property

Copyright Royalty Tribunal's decision that the royalty rate payable under the compulsory license for making and distributing phonorecords of copyrighted musical works must be reasonable as set, and must not yield an unfairly large return, was based on a reasonable interpretation of the Copyright Act and was entitled to deference of reviewing court. 17 U.S.C.A. §§ 101-810.

5. Copyrights and Intellectual Property

Copyright Royalty Tribunal impermissibly awarded itself discretion to reevaluate economic conditions in the recording industry, as a part of its royalty rate adjustment mechanism for adjusting the royalty payable under the compulsory license for making and distributing phonorecords of copyrighted musical works. 17 U.S.C.A. §§ 101-810, 115.

Petitions for Review of Orders of the Copyright Royalty Tribunal.

James F. Fitzpatrick with whom Cary H. Sherman was on the brief, for Recording Industry Association of America, Inc., petitioner in Nos. 80-2545, 80-2579, 81-1001 and 81-1128, intervenor in No. 81-1233.

Timothy N. Black, Washington, D.C., with whom Stephen A. Weiswasser and Lynn Bregman, Washington, D.C., were on the brief, for CBS Inc., petitioner in Nos. 81-1002 and 81-1129, intervenor in No. 81-1233.

Frederick F. Greenman, Jr., New York City, with whom Alvin Deutsch, Joseph M. Berl, and Bernard G. Schneider, New York City, were on the brief for American Guild of Authors and Composers, et al., petitioners in Nos. 81-1233, 81-1234, 81-1235 and 81-1236 and intervenors in Nos. 80-2545, 80-2579, 81-1001, 81-1002, 81-1128 and 81-1129.

Morris B. Abram, New York City, with whom Richard M. Zuckerman and Helen Hershkoff, New York City, were on the brief, for National Music Publishers' Association, Inc., intervenor in Nos. 80-2545, 80-2579, 81-1001, 81-1002, 81-1128 and 81-1129.

Bruce G. Forrest, Atty., Dept. of Justice, Washington, D. C., with whom Thomas S. Martin, Acting Asst. Atty Gen., Charles F. C. Ruff, U.S. Atty., and William Kanter, Atty., Dept. of Justice, Washington, D. C., were on the brief, for respondents, John F. Cordes, Atty., Dept. of Justice, Washington, D.C., also entered an appearance for respondents.

Nicholas E. Allen, Philip F. Herrick, James Michael Bailey and Suzanne V. Richards, Washington, D.C., were on the brief, for Amusement and Music Operators' Association, Inc., intervenor in Nos. 80-2545, 80-2579, 81-1001, 81-1002 and 81-1233.

Charles B. Ruttenberg and James A. Kidney, Washington, D.C., were on the brief, for National Association of Recording Merchandisers, intervenor in Nos. 80-2545, 80-2579, 81-1001, 81-1002, 81-1128, 81-1129, 81-1233, 81-1234, 81-1235 and 81-1236.

Before WRIGHT, WILKEY and MIKVA, Circuit Judges.

MIKVA, *Circuit Judge*. These consolidated cases present various challenges to a rulemaking proceeding of the Copyright Royalty Tribunal ("Tribunal"), in which the Tribunal increased the royalty payable under the compulsory license for making and distributing phonorecords of copyrighted musical works. Our consideration of these petitions was expedited because the new rates were scheduled to become effective on July 1, 1981. Oral argument was heard on June 18, 1981, and on June 23 a judgment was entered, upholding the Tribunal in part, and reversing and remanding in part.

We held that the Tribunal acted within its authority in adjusting the royalty rate and in assigning the increase an effective date of July 1, 1981, but that the Tribunal had exceeded its authority in adopting a procedure for interim rate adjustments that would require the Tribunal to convene annual proceedings for the exercise of discretion. The case was remanded to permit the Tribunal to adopt, if it so desired, an alternative scheme of interim rate adjustment. This opinion explains more fully the basis of that judgment.

I. THE COMPULSORY LICENSE AND THE COPYRIGHT ROYALTY TRIBUNAL

The royalty determinations challenged in this proceeding concern the compulsory license for phonorecords¹ under the Copyright Act, 17 U.S.C. §§ 101–810 (1976). Once the creator of a nondramatic musical work has allowed phonorecords of that work to be produced and distributed, that statute requires him to grant a license upon request to any person who proposes to make and distribute phonorecords of the work, at a royalty rate set by law. *Id.* § 115.² This compulsory licensing scheme is one of several established by the Copyright Act, and determination of the appropriate royalty rates is one of the principal functions Congress has assigned to the Copyright Royalty Tribunal.³

¹The Copyright Act defines “phonorecords” broadly as “material objects in which sounds, other than those accompanying a motion picture or other audiovisual work, are fixed by any method now known or later developed, and from which the sounds can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device.” 17 U.S.C. § 101 (1976).

²The payments are known in the trade as “mechanical royalties,” reflecting the language of the 1909 Act, see note 4 and accompanying text *infra*. Since the present case deals only with the license of phonorecords, no confusion need arise from our omission of the adjective “mechanical.” The current provision, section 115, provides, in relevant part:

In the case of nondramatic musical works, the exclusive rights, provided by clauses (1) and (3) of section 106, to make and to distribute phonorecords of such works, are subject to compulsory licensing under the conditions specified by this section.

(a) Availability and Scope of Compulsory License.—

(1) When phono records of a nondramatic musical work have been distributed to the public in the United States under the authority of the copyright owner, any other person may, by complying with the provisions of this section, obtain a compulsory license to make and distribute phonorecords of the work. A person may obtain a compulsory license only if his or her primary purpose in making phonorecords is to distribute them to the public for private use. A person may not obtain a compulsory license for use of the work in the making of phonorecords duplicating a sound recording fixed by another, unless: (i) such sound recording was fixed lawfully; and (ii) the making of the phonorecords was authorized by the owner of copyright in the sound recording or, if the sound recording was fixed before February 15, 1972, by any person who fixed the sound recording pursuant to an express license from the owner of the copyright in the musical work or pursuant to a valid compulsory license for use of such work in a sound recording.

(c) Royalty Payable Under Compulsory License.—

(2) Except as provided by clause (1), the royalty under a compulsory license shall be payable for every phonorecord made and distributed in accordance with the license. For this purpose, a phonorecord is considered “distributed” if the person exercising the compulsory license has voluntarily and permanently parted with its possession. With respect to each work embodied in the phonorecord, the royalty shall be either two and three-fourth cents, or one-half of one cent per minute of playing time or fraction thereof, whichever amount is larger.

17 U.S.C. § 115 (1976).

³The Tribunal also has jurisdiction to determine rates applicable to the compulsory licenses for secondary transmissions by cable systems, see 17 U.S.C. §§ 111, 801(b)(2) (1976), for public performances by coin-operated phonorecord players, see *id.* §§ 116, 801(b)(1), and for

The phonorecord compulsory licensing system dates back to 1909, when Congress first extended a composer's copyright protection to include the right to control manufacture of "parts of instruments serving to reproduce mechanically the musical work."⁴ Industry representatives expressed a fear that this protection ran the risk of "establishing a great music monopoly" because the Aeolian Company, a manufacturer of player-piano rolls, was acquiring exclusive contract rights from composers and publishers. See H.R. Rep. No. 2222, 60th Cong., 2d Sess. 7 (1909).⁵ The music industry has undergone major transformations in the intervening years, but record producers have continued to argue that a danger of monopolization and discriminatory practices exists, and Congress had concluded that a compulsory licensing system is still warranted. See H.R. Rep. No. 1476, 94th Cong., 2d Sess. 107 (1976) U.S. Code Cong. & Admin. News, p. 5659 [hereinafter cited as *1976 House Report*]; H.R. Rep. No. 83, 90th Cong., 1st Sess. 66-67 (1967).

Although the availability of the compulsory license under the 1909 Act has been very important to the structure of the recording industry, the statutory procedures for invoking the license have rarely been used.⁶ The usual effect of the system is to make the statutory royalty rate a ceiling on the price copyright owners can charge for use of their songs under negotiated contracts; if the owner demands a higher price in voluntary negotiations, the manufacturer can turn to the statutory scheme, but if the owner is willing to accept less than the statutory rate, he is free to do so.⁷

the use of certain works in connection with noncommercial broadcasting, see *id.* §§ 118, 801(b)(1). The Tribunal is also responsible for receiving and distributing royalty fees payable under the compulsory cable and coin-operated phonorecord player licenses. See *id.* §§ 111(d)(3), 116(c), 801(b)(3).

⁴Act of Mar. 4, 1909, ch. 320 § 1(e), 35 Stat. 1075. The Supreme Court had held in 1908 that unauthorized manufacture of player-piano rolls embodying a musical work did not infringe the composer's copyright. *White-Smith Music Publishing Co. v. Apollo Co.*, 209 U.S. 1, 28 S.Ct. 319, 52 L.Ed. 655 (1908). In expanding the definition of infringement to include mechanical reproductions, Congress specifically mentioned infringement by the use of "disks, rolls, bands, or cylinders." Act of Mar. 4, 1909, ch. 320, § 25(e), 35 Stat. 1081. The current definition of "phonorecord," which attempts to anticipate future technologies, is set out in note 1 *supra*.

⁵See *Henn, The Compulsory License Provisions of the U.S. Copyright Law*, at 11 (1956), reprinted in 2 *Studies Prepared for the Subcommittee on Patents, Trademarks, and Copyrights of the Senate Committee on the Judiciary*, 86th Cong., 1st Sess. (1960); Rosenlund, *Compulsory Licensing of Musical Compositions for Phonorecords Under the Copyright Act of 1976*, 30 *Hastings, L.J.* 683, 686 (1979).

⁶See *Adjustment of Royalty Payable Under Compulsory License for Making and Distributing Phonorecords*, 46 Fed.Reg. 10,466, 10,482 (1981); see generally *Henn, supra* note 5; Rosenlund, *supra* note 5.

⁷The compulsory license applies only to the second and subsequent recordings of a musical work, after the copyright owner has authorized a first recording to be made. He is theoretically free to negotiate a higher price for the first recording. Also, the compulsory license and its royalty rate apply only to use of the musical work, not the other talents of the

Today, the vast majority of contracts for use of copyrighted musical works involve voluntary payment at precisely the statutory rate. *See Adjustment of Royalty Payable Under Compulsory License for Making and Distributing Phonorecords*, 46 Fed.Reg. 10,466, 10,479-80 (1981); S.Rep. No. 473, 94th Cong., 1st Sess. 93-94 (1975) [hereinafter cited as *1975 Senate Report*]. This was not the case earlier in the century, because the statutory rate was then high enough in terms of purchasing power to allow a greater range for individual bargaining.⁸ The 1909 Act had set the royalty rate at two cents for each "part" (e. g., disc) manufactured, and this rate remained unchanged until the passage of the 1976 Copyright Act, which increased the statutory rate to 2¾ cents per copy and provided for further adjustments by the Copyright Royalty Tribunal.

The inadequacy of the two-cent rate after half a century of economic change had long been recognized. *See, e.g.*, H.R. Rep. No. 83, 90th Cong., 1st Sess. 67 (1967). Nonetheless, the rate increase was continually delayed by the battle over comprehensive copyright law revision and as the years passed, spokesmen for the opposing interests returned to argue over further incremental adjustments. Ultimately Congress found it "neither feasible nor desirable that these rates should be adjusted exclusively by the normal legislative process." *1975 Senate Report* at 155.⁹ Congress chose instead to make a first, approximate modification of the royalty rate, and to delegate the authority to make future adjustments to an independent tribunal. 17 U.S.C. § 801(b)(1976).

The Senate and the House proposed entirely different structures for the independent body that would determine rates. The Senate version provided an ad hoc tribunal convened by the Register of Copyrights whenever a rate proceeding was necessary; the American Arbitration Association was to name three of its members to form the panel, and this choice would be binding unless parties made well-founded objections. S. 22, 94th Cong., 1st Sess. § 803 (1975) [hereinafter cited as *Senate Bill*] *see 1975 Senate Report* at 36, 157. Rate adjustments could be vetoed by resolution of either house of Congress, and judicial review was provided only when a party charged that a proceeding for distribution of collected royalty fees was tainted by

copyright owner; if the composer is also the performer, he is free to negotiate package prices for further recordings by himself of the same song, and the compulsory license only governs renditions of his song by others. The significance to the royalty rate proceeding of the high sums paid to performing composers is briefly discussed in note 23 *infra*.

⁸See Part II(B) *infra*.

⁹The first proposal for a royalty tribunal was apparently made in the Senate in 1969. *See Briefing Papers on Current Issues Raised by H.R. 2223, reprinted in 3 Copyright Law Revision: Hearings before the Subcommittee on Courts, Civil Liberties, and the Administration of Justice of the House Committee on the Judiciary*, 94th Cong., 1st Sess. 2089 (1975) [hereinafter cited as *1975 Hearings*].

partiality, corruption, fraud, or other misconduct.¹⁰ Senate Bill §§ 807, 809; *see 1975 Senate Report* at 37, 158.

The House in contrast, proposed a permanent body, the Copyright Royalty Commission. The Commission would function like a traditional administrative agency. Its three members would be appointed by the President for five-year terms, and its proceedings would be subject to the Administrative Procedure Act, including the normal scope of judicial review. *See 1976 House Report* at 41–44, 174, 179. The legislative veto was eliminated. *Id.* at 179.

As the conference report stated, the structure finally chosen for the Tribunal “conforms in general to the House bill, but with several changes.” H.R. Rep. No. 1733, 94th Cong., 2d Sess. 82 (1976) U.S.Code Cong. & Admin.News, p. 5823 [hereinafter cited as *Conference Report*]. The Act establishes “an independent Copyright Royalty Tribunal in the legislative branch.” 17 U.S.C. § 801(a) (1976).¹¹ The Tribunal is composed of five commissioners appointed by the President with the advice and consent of the Senate for seven-year terms. *Id.* § 802. The Tribunal is subject to the APA, and is directed to adopt regulations “governing its procedure and methods of operation” and to accompany its final decisions by a statement of “the criteria that [it] determined to be applicable to the particular proceeding, the various facts that it found relevant to its determination in that proceeding, and the specific reasons for its determination.” *Id.* § 803.¹² The APA also governs judicial review of the Tribunal’s actions, and there is no legislative veto provision. *Id.* § 810.

Replacement of the legislative veto by the normal process of judicial review was intended to “permit more detailed, thoughtful, and careful review of possibly arbitrary or capricious determinations” of the Tribunal. *1976 House Report* at 179, U.S. Code Cong. & Admin.News at p. 5795. Congress also enhanced the protection against arbitrary action by reconstituting the Tribunal as a permanent body. The Register of Copyrights, testifying before a House subcommittee, expressed her belief

¹⁰The judicial review provision of the Senate Bill contemplated only an order vacating, modifying or correcting a final determination of the Tribunal concerning the distribution of royalty fees—

- (a) Where the determination was procured by corruption, fraud, or undue means.
- (b) Where there was evident partiality or corruption in any member of the panel.
- (c) Where any member of the panel was guilty of any misconduct by which the rights of any party have been prejudiced.

Senate Bill § 809; *see 1975 Senate Report* at 37, 158.

¹¹The parties do not argue that the characterization of the Tribunal as “in the legislative branch” has any relevance to the issues in this case.

¹²The Senate proposal had directed only that “[e]xcept as otherwise provided by law, the Tribunal shall determine its own procedure,” and that “[e]very final decision of the Tribunal shall be in writing and shall state the reasons therefor.” Senate Bill § 804(c), (d); *see 1975 Senate Report* at 36, 157.

that the Senate proposal was constitutional, but urged the House to strengthen the Tribunal, emphasizing "that it should have continuity and not be as ad hoc as is laid out in the bill at the moment." 1975 *Hearings* at 914-15 (testimony of Ms. Ringer).¹³ Assimilation of the Tribunal to the usual agency model provides greater practical and procedural assurances of a coherent royalty system.

The present case involves petitions for review of the Tribunal's first redetermination of the royalty rate for the phonorecord compulsory license. The statute requires the Tribunal to institute proceedings for a royalty adjustment on January 1, 1980, and, upon petition, "in 1987 and in each subsequent tenth calendar year." 17 U.S.C. § 804(a)(1), (2)(B) (1976). The rate applicable to the phonorecord license is to

be calculated to achieve the following objectives:

- (A) To maximize the availability of creative works to the public;
- (B) To afford the copyright owner a fair return for his creative work and the copyright user a fair income under existing economic conditions;
- (C) To reflect the relative roles of the copyright owner and the copyright user in the product made available to the public with respect to relative creative contribution, technological contribution, capital investment, cost, risk, and contribution to the opening of new markets for creative expression and media for their communication;
- (D) To minimize any disruptive impact on the structure of the industries involved and on generally prevailing industry practices.

Id. § 801(b)(1). Until that redetermination has been made, the royalty rate is "either two and three-fourths cents, or one-half of one cent per minute of playing time or fraction thereof, whichever amount is larger." *Id.* § 115(c)(2).

II. THE NEW ROYALTY RATE

The Copyright Royalty Tribunal published notice of its first proceeding to determine the royalty rate for the phonorecord compulsory license on January 2, 1980. 45 Fed.Reg. 63 (1980). In the spring of that year, the Tribunal accepted submissions of economic studies and legal motions, and then commenced evidentiary hearings that lasted forty-six days and involved thirty-five witnesses. *See Adjustment of Royalty Payable Under Compulsory License for Making and Distributing Phonorecords*, 46 Fed.Reg. 10,466, 10,466-67 (1981). Closing arguments followed in

¹³See 122 Cong.Rec. 34,226 (1976) (remarks of Rep. Kastenmeier) ("The House changes were made on the advice of constitutional scholars who urged that the Senate version might contain constitutional infirmities."). Correspondence debating the constitutional merits of the Senate proposal was set out as an appendix to the committee hearings. *See 1975 Hearings* at 1921-25, 1956-60. A different constitutional objection prompted transfer of the power to appoint Tribunal members from the Register of Copyrights to the President. *See 1976 House Report* at 174; 17 U.S.C. § 802(a) (1976).

November, and the Tribunal published the new rate in the *Federal Register* on January 5, 1981. 46 Fed.Reg. 891¹ (1981). The royalty rate was increased to "four cents, or three-quarters of one cent per minute of playing time or fraction thereof, whichever amount is larger." *Id.* at 892 (to be codified at 37 C.F.R. § 307.2). The Tribunal also set out a complex system for future interim adjustments in the rate to reflect increases in the average list price of albums. *Id.* (to be codified at 37 C.F.R. § 307.3-4). On February 3, the Tribunal published its findings in a detailed statement of the reasons for the adjustment it made in the rate. 46 Fed.Reg. 10,466-87 (1981).

Various parties petitioned for review of the Tribunal's action. Parties on the receiving end argued that the royalty was too low, and that the effective date of the increase had been improperly postponed;¹⁴ parties who would be paying the royalty argued that the rate was too high and that the procedures for making interim adjustments were unlawful.¹⁵ We turn first to the contentions concerning the Tribunal's determination of the four-cent royalty rate itself.

A. *The Adequacy of the Tribunal's Explanation*

The Copyright Act, as we have noted, requires the Tribunal to "state in detail the criteria that the Tribunal determined to be applicable to the particular proceeding, the various facts that it found relevant to its determination in the proceeding, and the specific reasons for its determination." 17 U.S.C. § 803(b) (1976). On the basis of this detailed statement and the record before the Tribunal, judicial review is available in accordance with the provisions of the Administrative Procedure Act. *Id.* § 810; see *Amusement and Music Operators Ass'n v. Copyright Royalty Tribunal*, 636 F.2d 531 (D.C.Cir.1980).

The copyright users insist that the incorporation of the usual APA review provisions in the statutory scheme demonstrates a congressional desire for "searching judicial scrutiny." Responsive Brief for Petitioners RIAA and CBS Inc. at 13 n.32. They stress the reference in the House report to "the full scope of judicial review provided by Chapter 7 of the Administrative Procedure Act." 1976 *House Report* at 179, U.S.Code Cong. & Admin.News at p. 5795. The context of this reference makes

¹⁴Royalty recipients are represented in this court by the American Guild of Authors and Composers ("AGAC"), and the Nashville Songwriters' Association International ("NSAI"), both petitioners, and the National Music Publishers' Association ("NMPA"), an intervenor. We will refer to these parties generically as the copyright owners. Their argument relating to the effective date of the royalty increase is addressed in Part III *infra*.

¹⁵Persons who must pay for the use of copyrighted musical works are represented in this court by the Recording Industry Association of America ("RIAA") and CBS Inc., petitioners, and the intervenors National Association of Recording Merchandisers ("NARM") and Amusement and Music Operations Association ("AMOA"). We will refer to these parties generically as the copyright users. Their argument relating to the system for interim adjustments is addressed in Part III *infra*.

clear, however, that the House committee did not contemplate intrusive judicial review beyond that ordinarily available under the APA, but rather contrasted the normal APA process of reviewing both the substantive and procedural aspects of all final decisions with the Senate's proposal to limit judicial review to gross procedural irregularities in the royalty distribution proceedings.¹⁶

[1] The Copyright Act permits the Tribunal to conduct its royalty determination as an informal rulemaking.¹⁷ In such proceedings, the APA requires a court to "hold unlawful and set aside agency action, findings and conclusions" if they are "arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law." 5 U.S.C. § 706(2)(A) (1976). Our responsibilities under this "arbitrary and capricious" standard include ascertaining the facts on which the Tribunal relied in making its decision, determining whether those facts have some basis in the record,¹⁸ and judg-

¹⁶See note 10 *supra* and accompanying text. The passage in question reads:

The Committee concluded that determinations of the Copyright Royalty Commission were not appropriate subjects for regular reviews by Congress and that the provisions of the Senate bill providing for judicial review were far too restrictive. Therefore, it amended the Senate bill to eliminate automatic congressional review and to broaden the scope of judicial review. The amended bill provides for the full scope of judicial review provided by Chapter 7 of the Administrative Procedure Act. Congressional review of the activities of the Copyright Royalty Commission will occur as part of the oversight functions of the Judiciary Committees of the House of Representatives and the Senate. The oversight process will provide the Congress sufficient information to determine whether statutory changes are needed at some time in the future.

The expanded judicial review provided in the Committee amendment will permit much more detailed, thoughtful, and careful review of possibly arbitrary or capricious determinations of the Commission than can be provided by Congressional review.

1976 House Report at 179, U.S. Code Cong. & Admin. News at p. 5795.

¹⁷The Copyright Act gives the Tribunal considerable freedom to determine its own procedures. See 17 U.S.C. § 803(a) (1976). Petitioners do not suggest that Congress intended to limit the Tribunal to proceedings "on the record" requiring the full formal protections of APA §§ 556 and 557, 5 U.S.C. §§ 556, 557 (1976); *cf. United States v. Florida East Coast Ry.*, 410 U.S. 224, 93 S.Ct. 810, 35 L.Ed.2d 223 (1973).

¹⁸To the extent that "substantial evidence" review may be stricter than "arbitrary and capricious" review (*but see, e.g., Pacific Legal Foundation v. Dep't of Transp.*, 593 F.2d 1338, 1343 n.35 (D.C.Cir.), *cert. denied*, 444 U.S. 830, 100 S.Ct. 57, 62 L.Ed.2d 38 (1979)), nothing in the Copyright Act or its legislative history suggests a legislative intent to impose the more stringent standard in review of the Tribunal's decisions. The dictates of the APA, incorporated by reference in 17 U.S.C. § 810 (1976), apply the "substantial evidence" standard to rulemaking only when it is "reviewed on the record of an agency hearing provided by statute," 5 U.S.C. § 706(2)(E); *see, e.g., Pacific Legal Foundation*, 593 F.2d at 1343 n.35. Congress did not make such provision for the proceedings of the Tribunal.

While we have found the evolution of the judicial review provisions of the Copyright Act more instructive than reliance on isolated phrases, we note in response to the copyright users' arguments that none of the congressional reports made allusion to the "substantial evidence" standard. Indeed, the House report spoke specifically of "review of possibly arbitrary or capricious determinations of the Commission." 1976 House Report at 179, U.S. Code Cong. & Admin. News at p. 5795. We do not place great weight on this language, but it hardly expresses a desire on the part of the committee to go beyond the usual scope of review of informal rulemaking under the APA.

ing whether a reasonable decisionmaker could respond to those facts as the Tribunal did. *See, e.g., Weyerhæuser Co. v. Costle*, 590 F.2d 1011, 1027 (D.C.Cir.1978).

[2] When applying the "arbitrary and capricious" standard to the Tribunal's determinations, we must bear in mind that the thoroughness of the factual support an agency can supply for its decision will vary with the nature of the decision being made. *See, e.g., FCC v. National Citizens Comm. for Broadcasting*, 436 U.S. 775, 813, 98 S.Ct. 2096, 2121, 56 L.Ed.2d 697 (1978); *Industrial Union Dep't v. Hodgson*, 499 F.2d 467, 474-75 (D.C.Cir.1974). The setting of the royalty rate is not a routine exercise in historical cost of service ratemaking for a public utility. At least three distinct aspects of the royalty rate scheme increase the deference that this court owes to the Tribunal's conclusions.

First, some of the statutory factors require the Tribunal to estimate the effect of the royalty rate on the future of the music industry. The rate should be calculated¹⁹ to "maximize the availability of creative works to the public," but to "minimize any disruptive impact on the structure of the industries involved and on generally prevailing industry practices." 17 U.S.C. §§ 801(b)(1)(A), (D) (1976). These criteria require determinations "of a judgmental or predictive nature," and the court must be aware that " 'a forecast of the direction in which the future public interest lies necessarily involves deductions based on the expert knowledge of the agency,' " *FCC v. National Citizens Comm. for Broadcasting*, 436 U.S. at 813-14, 98 S.Ct. at 2121 (quoting *FPC v. Transcontinental Gas Pipe Line Corp.*, 365 U.S. 1, 29, 81 S.Ct. 435, 450, 5 L.Ed.2d 377 (1961)). In establishing a permanent Tribunal, Congress expressed its expectation that members would be appointed "from among persons who have demonstrated professional competence in the field of copyright policy," 1976 House Report at 174-75, U.S.Code Cong. & Admin.News at p. 5791, and a court must recognize the contributions of this expertise.

Second, other statutory criteria invite the Tribunal to exercise a legislative discretion in determining copyright policy in order to achieve an equitable division of music industry profits between the copyright owners and users. Section 801(b)(1)(C) provides that the royalty rate would "reflect the relative roles of the copyright owner and the copyright user in the product . . ." (emphasis added). Similarly, section 801(b)(1)(B) states a congressional purpose to "afford the copyright owner a fair return for his creative work and the copyright user a fair income under existing economic conditions." It is evident that the "fairness" of the return to a

¹⁹Without choosing among competing dictionaries, we agree that the natural reading of the language of § 801(b)(1) is that the royalty rate is to be "calculated to achieve the following objectives" in the sense of being designed or adapted for the achievement of those objectives, not in the sense of being the result of a rigorous mathematical derivation. *See* Brief for Respondent Copyright Royalty Tribunal at 30.

songwriter for his creative effort cannot be defined by the traditional methods of cost of service ratemaking; a broad inquiry is called for.²⁰ Under the circumstances, a court owes considerable deference to the Tribunal's ultimate policy choices. *See Citizens to Preserve Overton Park Inc. v. Volpe*, 401 U.S. 402, 416, 91 S.Ct. 814, 823, 28 L.Ed.2d 136 (1971); *Action for Children's Television v. FCC*, 564 F.2d 458, 479 (D.C.Cir.1977); *Federation of Homemakers v. Schmidt*, 539 F.2d 740, 743 (D.C.Cir.1976).

Finally, the statutory factors pull in opposing directions, and reconciliation of these objectives is committed to the Tribunal as part of its mandate to determine "reasonable" royalty rates. Both the House and the Senate had originally passed bills whose only instruction to the Tribunal was to assure that the royalty rate was reasonable,²¹ although the House report had stated objectives that it "anticipated that the Commission will consider."²² As part of the compromise that produced the final structure of

²⁰We recognize, see note 15 *supra*, that the copyright owners who receive royalties include both the composers themselves and their publishers (as well as other persons).

²¹*See* Senate Bill § 801(b)(1); 1975 Senate Report at 36, 155; 115 Cong.Rec. 3855 (1976) ("to make determinations concerning the adjustment of the copyright royalty rates as provided in sections 111, 115, 116, and 118 so as to assure that such rates are reasonable"); 1976 House Report at 41, 173; 115 Cong.Rec. 32,004 (1976) ("to make determinations concerning the adjustment of reasonable copyright royalty rates as provided in sections 115 and 116"). Both bills provided more elaborate standards for the cable transmission royalty under section 111. The House bill also provided that the phonorecord royalty adjustments could only be "based upon relevant factors occurring subsequent to the date of enactment of this Act;" the House receded on this latter provision in conference. *Conference Report* at 82; 17 U.S.C. § 801(b)(1)(1976).

²²1976 House Report at 173-74, U.S. Code Cong. & Admin.News at pp. 5789-5790. The report stated:

No specific standards governing the establishment or adjustment of rates by the Commission, other than rates for cable transmissions, have been detailed in the legislation, because the Committee did not wish to limit the factors that the Commission might consider in a world of constantly changing economics and technology. However, it is anticipated that the Commission will consider the following objectives in determining a reasonable rate under sections 115 and 116;

- (1) The rate should maximize the availability of diverse creative works to the public.
- (2) The rate should afford the copyright owner a fair income, or if the owner is not a person, a fair profit, under existing economic conditions, in order to encourage creative activity.
- (3) The rate should not jeopardize the ability of the copyright user
 - (a) to earn a fair income, or if the user is not a person, a fair profit, under existing economic conditions, and
 - (b) to charge the consumer a reasonable price for the product.
- (4) The rate should reflect the relative roles of the copyright owner and the copyright user in the product made available to the public with respect to relative creative contribution, technology contribution, capital investment, cost, risk, and contribution to the opening of new markets for creative expression and media for their communication.
- (5) The rate should minimize any disruptive impact on the structure of the industries involved and on generally prevailing industry practices.

the Tribunal, most of those objectives were written into the statute, *see Conference Report* at 82, but the Tribunal was not told which factors should receive higher priorities. To the extent that the statutory objectives determine a range of reasonable royalty rates that would serve all these objectives adequately but to differing degrees, the Tribunal is free to choose among those rates, and courts are without authority to set aside the particular rate chosen by the Tribunal if it lies within a "zone of reasonableness." *Permian Basin Area Rate Cases*, 390 U.S. 747, 767, 88 S.Ct. 1344, 1360, 20 L.Ed.2d 312 (1968); *FPC v. Natural Gas Pipeline Co.*, 315 U.S. 575, 586, 62 S.Ct. 736, 743, 86 L.Ed. 1037 (1942); *Hercules, Inc. v. EPA*, 598 F.2d 91, 107 (D.C.Cir.1978).

The copyright users attack the Tribunal's explanation of its reasons for choosing the four-cent royalty rate. They insist that the Tribunal has failed to give a sufficient derivation of the four-cent figure, that the Tribunal did not give adequate consideration to certain relevant factors, and that the Tribunal improperly gave weight to other, irrelevant factors. None of these objections require extended discussion,²³ but there may be some value for future Tribunal decisions in a brief treatment of a few of them.

The copyright users make a fundamental argument that the Tribunal's decision provides no explanation for the selection of the four-cent figure. We recognize that the character of the Tribunal's explanation leaves room for improvement, but the industry's objection is greatly overstated. Stylistically, the Tribunal's opinion is structured more as a demonstration that the four-cent royalty rate is calculated to achieve the statutory objec-

²³The less substantial claims include the objection of AMOA that the Tribunal did not give sufficient consideration to the economic plight of jukebox operators as a major class of record consumers, *see* Brief for Intervenor AMOA, and RIAA's assertion that the Tribunal erred by giving greater credence to the RIAA's incompletely disclosed data submissions where the data weighed against the Association's positions than where the data weighed in favor of them, *see* Responsive Brief for Petitioners RIAA and CBS Inc. at 28-30; *cf.* note 32 *infra*. RIAA also attacks the Tribunal's conclusion that information concerning rates of compensation under foreign compulsory licenses "is relevant[,] because it provides one measure of whether copyright owners in the United States are being afforded a fair return." 46 Fed.Reg. at 10,483. We see nothing in the statute or its legislative history that requires the Tribunal to close its eyes to conditions in other countries while deciding what a fair return to a composer should be.

Finally, the Tribunal acted well within its discretion when it refused to set the rate of compensation for all copyright owners at a level that would avoid excessive enrichment of songwriters who perform their own works. *See* 46 Fed.Reg. at 10,484. The Tribunal found that designation of a small portion of the singer-songwriters' fees as a royalty for use of the composition is merely conventional, and does not change the fact that the heavy compensation of these performers is a product of bargaining, not of the compulsory license system. *Id.* The Tribunal was entitled to conclude that the wealth of the singer-songwriters does not justify denying nonsinging songwriters a fair return, and that evidence documenting this wealth was essentially irrelevant to the royalty proceeding.

tives than as a derivation of a 4.00¢ numerical figure. But this difference in focus does not obscure the basis of the Tribunal's decision.

The Tribunal's explanation of the rate increase is published in the *Federal Register*, and there is no need to recount it at length here. The Tribunal analyzed the empirical evidence in relation to the statutory criteria. One major target of the copyright owner's submissions, the effect of inflation on their return from the royalty rate, was pertinent to several factors.²⁴ The Tribunal found that the current rate was too low to provide a financial incentive that would maximize the production of creative works, and rejected copyright users' claims that the effect of a rate increase on price (and thereby on demand) would be substantial enough to diminish the variety of new works that the industry could make available to the public. 46 Fed.Reg. at 10,479. Analyzing the relative contributions of the owners and users and their respective shares of recording industry revenues (as well as the shares taken by a third group, the performing artists), the Tribunal concluded that the return to the copyright owners had unfairly dwindled because of the price ceiling while the return to others had been greatly enhanced.²⁵ *Id.* at 10,480, 10,483.

²⁴Petitioners RIAA and CBS take a somewhat ambiguous position on the propriety of considering inflation at all in the royalty rate proceeding, *see* Brief for Petitioners RIAA and CBS Inc. at 39–40 & n.104. It is obvious, however, that the purchasing power of the return to the copyright owners is an essential element in determining the fairness of the return, *see* 17 U.S.C. § 801(b)(1)(B) (1976), in evaluating the effectiveness of the rate in maximizing the availability of musical works, *see id.* § 801(b)(1)(A), and in setting a rate that reflects the relative roles of copyright owners and users, *see id.* § 801(b)(1)(C), particularly where the owners' rate is fixed by law and the users remain free to charge what the market will bear.

We agree with petitioners that the Tribunal would be acting improperly if it ignored the statutory criteria altogether and set the rate merely by multiplying the interim figure in § 115(c)(2) by the increase in the consumer price index over some interval of time. *See* Brief for Petitioners RIAA and CBS Inc. at 34–46. Petitioners present no genuine evidence, however, that this was the Tribunal's method. The Tribunal's exhaustive proceedings and its twenty-page opinion would be a massive exercise in hypocrisy if petitioners were correct. Petitioners calculate that an appropriate choice of base period would give a roughly equivalent number, they lift out of context the Tribunal's allusions to inflation as a factor affecting the fairness of a given royalty rate, and they purport to reconstruct backroom bargaining by reading between the lines in the brief dissent of Tribunal Commissioner Burg, *see* 46 Fed.Reg. at 10,486–87. This is hardly a showing that would rebut the strong presumption of regularity in administrative decisionmaking. *See, e.g. Hercules, Inc. v. EPA*, 598 F.2d 91, 123 (S.D.Cir.1978).

²⁵The Tribunal recognized that increasing sales volume could theoretically maintain the fairness of the songwriter's rate of return while inflation eroded the statutory rate, but found that the empirical evidence demonstrated that inflation had greatly outstripped the slight increases in record sales. 46 Fed.Reg. at 10,485. The Tribunal also found, for example, that from 1955 to 1979 composers' royalties had declined from being slightly greater than performers' royalties to barely a quarter of the performers' share, *id.* at 10,485, and that from 1964 to 1974 copyright owners' royalty payments declined from 11.2% of wholesale record price to 7.2% *id.* at 10,481.

In light of the economic evidence, the “relative roles” of the copyright owners and others, and the higher level of remuneration to composers under compulsory licenses abroad, the Tribunal concluded that a fair return to the owners required an immediate increase in the royalty rate “to at least four cents per song.” *Id.* at 10,485. The Tribunal also found that a four-cent royalty would be consistent with the opposing constraints among the statutory criteria, that the rate did not disrupt industry structure and practices or unfairly diminish the income of the copyright users. *Id.*; *id.* at 10,481, 10482.²⁶ The Tribunal’s discussion more than satisfies the statutory directive to state in detail the criteria, factual findings, and “specific reasons for its determination,” 17 U.S.C. § 803(b) (1976).

[3] We conclude that, based on the statutory objectives and the character of the determination they require, the Tribunal had adequately explained its choice of a royalty rate. The copyright users have not shown that the rate chosen lies outside the zone of reasonableness suggested by the Tribunal’s factual findings, or that the Tribunal’s decision is arbitrary or capricious.

B. *The Bargaining Room Theory*

[4] The copyright owners assert that the Tribunal misconstrued the purpose of the statutory royalty rate, and set the rate too low because of this misinterpretation. They argue that the two-cent royalty rate set by Congress in 1909 did not become a rigidly prevailing rate until much later in this century. The owners insist that the intent of Congress in 1976 was to revive the flexibility of the original compulsory license system, and that the Tribunal should have set a rate high enough to leave greater room for individual songwriters to negotiate a fair return on their works by bargaining within a range below the statutory ceiling.

The Tribunal rejected this argument, explaining that the bargaining room theory was inconsistent with the Tribunal’s interpretation of the statutory criteria:

²⁶In determining the economic effect of the royalty rate increase on record producers, wholesalers, retailers, and the consuming public, the Tribunal rejected the copyright users’ analysis, finding that “[t]he evidence shows that increases at wholesale do not have an automatic multiplier effect through the distribution chain to the retail level,” 46 Fed. Reg. at 10,484, and the record companies had demonstrated on other occasions their ability to absorb some cost increases, including the 1978 increase in the royalty rate for the compulsory license. *Id.*; *id.* at 10,482. The copyright users attempt to challenge these findings, see Brief for Petitioners RIAA and CBS Inc. at 33 n.91, Brief for Intervenor NARM *passim*. Suffice it to say that substantial evidence supports the Tribunal’s findings that, while the recording industry may pass on the cost increase to the consumer, past practices make it equally possible that it *may not*, and that record price increases have not been characterized by an automatic, rigid “multiplier” effect.

The statute requires the Tribunal to establish a "reasonable" royalty rate calculated to achieve the statutory objectives. We adopt the view of RIAA that:

A rate that is deliberately fixed above the level that the market can bear—so that a lower rate can be negotiated in the marketplace—cannot be 'reasonable.' Such a rate would yield more than the 'fair return' to copyright owners mandated by the statute.

46 Fed.Reg. at 10,478 (emphasis and footnote omitted). The Tribunal did not agree with RIAA's economic argument that bargaining was impossible,²⁷ but concluded that the statutory rate should itself be reasonable and should afford the possibility of what the Tribunal considered a fair return to individual songwriters, while leaving them free to accept less if bargaining did take place.

We have already observed that the statutory criteria, including the directive that the rate be calculated to "afford the copyright owner a fair return for his creative work," leave the Tribunal substantial discretion to determine policy within the framework of the statute, and that the Tribunal's choices in this area are entitled to deference.²⁸ The copyright owners argue, however, that the legislative history clearly demonstrates that Congress intended to restore the free play of market forces within a generous price ceiling, and that the Tribunal's ruling must be set aside as inconsistent with that legislative intent.

The copyright owners correctly point out that a House committee report issued in 1967 appears to express a legislative intent to adopt the bargaining room approach. See H.R.Rep.No.83, 90th Cong., 1st Sess. 72-74 (1967).²⁹ This 1967 bill, however, was not enacted into law, and its approach to the compulsory license was significantly changed by the subsequent creation of the Copyright Royalty Tribunal. The choice between a bargaining room theory and a prevailing rate theory of the royalty continued to spark con-

²⁷See 46 Fed.Reg. at 10,482, 10,483. RIAA's position on the impossibility of bargaining was set out in its Proposed Findings of Fact and Conclusions of Law, at 190-208, Joint Appendix at 599-617. Contrary to the assertions of RIAA, see Responsive Brief for Petitioners RIAA and CBS Inc. at 22-23, we find the Tribunal's approach to the role of bargaining both internally consistent and supported by substantial evidence in the record.

²⁸See text accompanying note 20 *supra*. Furthermore, the Tribunals' interpretation of the statute that it is charged to execute is entitled to some deference. See *Miller v. Youakim*, 440 U.S. 125, 144 n.25, 99 S.Ct. 957, 968 n.25, 59 L.Ed.2d 194 (1979).

²⁹For example, the committee stated:

The committee is setting a statutory rate at the high end of a range within which the parties can negotiate, now and in the future, for actual payment of a rate that reflects market values at that time, but one that is not so high as to make it economically impractical for record producers to invoke the compulsory license if negotiations fail.

H.R.Rep.No.83, 90th Cong., 1st Sess. 74 (1967).

troversty over the years, and the 1967 report's summary of the opposing contentions of the copyright owners and users was repeated with some statistical updating in the 1975 Senate report. *See 1975 Senate Report* at 93-94. But the *conclusions* of the 1967 House report were *not* repeated. Rather, the Senate committee drew no explicit conclusion on this issue, merely expressing its approval of a rate increase to 2½ cents, and observing that "the publishers and composers will have the opportunity to present their case to the Copyright Royalty Tribunal, an expert body qualified to review the economic evidence in detail." *Id.* at 94.

Thus, the legislative history does not demonstrate that Congress intended to impose a bargaining room rationale on the Tribunal's determination of a reasonable rate.³⁰ The legislative history indicates only that the bargaining room theory had been considered, and that Congress had chosen to express its will through the statutory criteria instead. These criteria do not explicitly address the bargaining room question, and that dispute can only be resolved through the Tribunal's articulation of principles that flesh out the statutory notions of "reasonable" rates and "fair" returns.

The Tribunal's decision that the royalty rate must be reasonable as set, and must not yield an unfairly large return, is based on a reasonable interpretation of the statutory language and is entitled to the deference of this court. Congress established a permanent tribunal, in part, to assure the development of a consistent royalty policy.³¹ The copyright owners have not shown that this policy determination should be reversed.³²

³⁰The 1976 House report did not discuss the bargaining room theory, but merely alluded to the "extensive review and analysis of the testimony and arguments received" concerning the amount of the royalty rate in the Senate report. *1976 House Report* at 111 U.S. Code Cong. & Admin. News at p. 5726. The report cited the 1967 House report earlier in its discussion of the compulsory license, but only for a limited purpose: "The arguments for and against retention of the compulsory license are outlined at pages 66-67 of this Committee's 1967 report (H.Rept.No.83, 90th Cong., 1st Sess.). The Committee's conclusion on this point remains the same as in 1967. . . ." *Id.* at 107, U.S. Code Cong. & Admin. News at p. 5722 (emphasis added). Petitioners' quotations from the 1975 hearings, *see* Reply Brief of Petitioners AGAC and NSAI, demonstrate that the Register of Copyrights supported the bargaining room theory, and that some members of the House committee questioned the wisdom of the compulsory licensing system, but they shed no light on the decision Congress made in enacting the statute.

³¹*See 3 1975 Hearings* 1923 (memorandum of Prof. Gellhorn); note 13 and accompanying text *supra*.

³²The copyright owners also argue that their cross-examination of industry testimony was unduly impaired by the Tribunal's failure to insist that the data underlying a commissioned economic survey be disclosed. *See* 46 Fed. Reg. at 10,478. As we have observed, *see* note 17 and accompanying text *supra*, the Copyright Act does not require formal hearing procedures before the Tribunal. Petitioners cite as the basis for their argument the Tribunal's procedural regulations, which guarantee a right of cross-examination, and which specify that parties submitting analyses must make available their input data if the Tribunal so requests. 37 C.F.R. § 301.51(h), (1) (1980). While we do not condone RIAA's defiance of the Tribunal's

III. ISSUES OF TIMING

Both groups of petitioners find fault with the schedule that the Tribunal designed for adjustment of the royalty rate. The copyright owners contend that delaying the effective date of the increase to four cents until July 1, 1981, was arbitrary and capricious and inconsistent with the legislative intent. The copyright users charge that the Tribunal exceeded its jurisdiction by establishing a structure for interim rate adjustments that requires the Tribunal to meet annually to reevaluate economic conditions in the recording industry.

Turning first to the effective date, we note that nothing in the Copyright Act expressly forbids the Tribunal to postpone the effective date of a rate increase, at least when an aggrieved party has sought judicial review.³³ Petitioners appear to recognize this fact, *see* Brief for Intervenor NMPA at 52, but they argue that postponement frustrates the congressional intent underlying the statute.

Section 803(a) of the Copyright Act makes the Tribunal's proceedings subject to the provisions of the APA. The APA does not supply a mandatory effective date for agency rulemaking; rather, it requires an agency to publish most rules "not less than 30 days" before the effective date, 5 U.S.C. § 553(d) (1976), and permits an agency to postpone the effective

request for data, we see nothing in the regulations that would preclude the Tribunal from withdrawing its request, or that would require the Tribunal to strike a survey from the record because a request for underlying data had been denied. The Tribunal's interpretation of its own regulations is, of course, entitled to deference. *See Bowles v. Seminole Rock Co.*, 325 U.S. 410, 65 S.Ct. 1215, 89 L.Ed. 1700 (1945); *Ashland Exploration, Inc. v. FERC*, 631 F.2d 1018 (D.C.Cir.1980), *cert. denied*, 450 U.S. 915, 101 S.Ct. 1358, 67 L.Ed.2d 340 (1981). Since the survey in question was not determinative of the Tribunal's decision, and since it was corroborated by other evidence, we agree that it was sufficient for the Tribunal to view the refusal to submit possibly confidential data as "go[ing] to the weight we should accord their evidence, not to its admissibility." 46 Fed.Reg. at 10,478.

³³The statute addresses the effective date of Tribunal "determinations" only in a limited context:

Any final determination by the Tribunal under this chapter shall become effective thirty days following its publication in the Federal Register as provided in section 803(b), unless prior to that time an appeal has been filed pursuant to section 810, to vacate, modify, or correct such determination, and notice of such appeal has been served on all parties who appeared before the Tribunal in the proceeding in question. Where the proceeding involves the distribution of royalty fees under sections 111 or 116, the Tribunal shall, upon the expiration of such thirty-day period, distribute any royalty fees not subject to an appeal filed pursuant to section 810.

17 U.S.C. § 809 (1976). Section 810 gives an aggrieved party thirty days after the publication of a decision to seek judicial review. *Id* § 810. One evident purpose of these provisions is to prevent the determination from becoming effective until the time for judicial review has lapsed. The copyright users argue that even when no appeal is filed, section 809 requires only the *determination* to become effective after thirty days and not the new royalty *rate*. Responsive Brief of Petitioners RIAA and CBS at 15. We need not address this question since, obviously, judicial review has been sought in this case.

date of an action pending judicial review, if it "finds that justice so requires," *id.* § 705. When the statute authorizing agency action fails to specify a timetable for effectiveness of decisions, the agency normally retains considerable discretion to choose an effective date.³⁴ Petitioners have not demonstrated a congressional intent to withdraw this discretion.³⁵ We also recognize a certain tension between the copyright owners' position that the rate must become effective immediately after thirty days and their insistence that the Tribunal has the authority to make interim adjustments to the rate before the next full rate proceeding.

Nor have petitioners shown that the Tribunal's decision to delay the effective date was arbitrary and capricious. The Tribunal's opinion demonstrates its concern "to minimize disruptive impacts" on the recording industry, and its view that the effective date of a royalty adjustment should be arranged so as to be "less disruptive to the industries." 46 Fed.Reg. at 10,486. Although the Tribunal concluded that a single increase to the full four-cent rate would not be unduly disruptive, *id.* at 10,481, it was within the Tribunal's discretion to give the industry adequate lead time to prepare for the increase. *See, e. g., National Ass'n of Independent Television Producers & Distribs. v. FCC*, 502 F.2d 249 (2d Cir. 1974). While we cannot deny that, on this point, the Tribunal's decision was "of less than ideal clarity," nonetheless we must uphold the determination "if the agency's path may reasonably be discerned." *See Bowman Transp., Inc. v. Arkansas-Best Freight Sys.*, 419 U.S. 281, 286, 95 S.Ct. 438, 442, 42 L.Ed.2d 447 (1974). That test is met here.

We find more troubling, however, the Tribunal's reservation of authority to calculate appropriate interim adjustment figures through annual proceedings. The procedure set out in the Tribunal's rules requires an annual change in the royalty rate "directly proportionate to the change, if any, in the average suggested retail list price of albums" over a designated twelve-month period. 46 Fed.Reg. 892 (1981) (to be codified at 37 C.F.R. § 307.3(a)). The rule goes on to define the "average suggested retail list price of albums" as the average determined from a "representative group" to be chosen by the CRT (*i.e.*, the Tribunal) from "CRT-conducted surveys

³⁴*See, e.g., Industrial Union Dep't v. Bingham*, 570 F.2d 965, 969 (D.C.Cir.1977) (opinion of Leventhal, J.); *id.* at 979 (opinion of Fahy, J.); *Capital Cities Communications, Inc. v. FCC*, 554 F.2d 1135, 1139 (D.C.Cir.1976); *Niagara Mohawk Power Corp. v. FPC*, 379 F.2d 153 (D.C.Cir.1967).

³⁵The statutory provisions requiring prompt initiation and resolution of rate proceedings, *see* 17 U.S.C. § 804 (1976), do not necessarily reflect a concern that copyright owners receive the instantaneous benefit of a rate increase. The provision giving the Tribunal no more than a year in which to make its determination, *id.* § 804(e), for example, is explained sufficiently by a desire not to let administrative proceedings become unduly protracted; this time limit was already present in the 1975 Senate bill, which had other provisions automatically postponing the effectiveness of a rate determination for at least 180 days after the Tribunal's decision, *see* Senate Bill §§ 804(e), 807; 1975 Senate Report at 36-37, 157-58.

and/or studies which it may deem necessary, advisable and appropriate,” with due consideration to studies submitted by interested parties. *Id.* (to be codified at 37 C.F.R. § 307.3(b), (c)). Even this procedure may be superseded, however, “[i]n the event that albums made and distributed in the United States without a suggested retail list price distort the average suggested retail list price, so that it does not reflect record price changes in the relevant period.” *Id.* (to be codified at 37 C.F.R. § 307.4(a)). In that case, “CRT-conducted surveys and/or studies” will be used to determine an “average wholesale price” from a “representative group” of albums. *Id.* (to be codified at 37 C.F.R. § 307.4(b), (c)). It is evident from this description of the Tribunal’s intended analysis that the Tribunal expects to wield its expert discretion in selecting representative groups of recordings and deciding whether the average price they yield is unduly distorted.

The copyright users argue that “[b]y its ambiguity and breadth, the rule gives the Tribunal standing authority to monitor and regulate the recorded music industry and discretion to reconsider the compulsory rate *ab initio* each year for the next seven years.” Brief for Petitioners RIAA and CBS at 64 (footnote omitted). This contention is somewhat overstated: the Tribunal’s rule does not authorize a reexamination of the recording industry’s profits or the creative contributions of the owners and the users. All that the procedure requires is an analysis of recording industry pricing patterns. Nonetheless, we conclude that this annual analysis is a task that Congress did not intend for the Tribunal to undertake, and that the Tribunal has overstepped the bounds of its statutory authority by scheduling annual proceedings for the exercise of discretion.

The Copyright Act establishes the Tribunal as a permanent body, and authorizes it to settle controversies over the distribution of royalty fees deposited with the Register of Copyrights under sections 111 and 116 whenever the Tribunal determines that such a controversy exists. 17 U.S.C. §§ 801(b)(3), 804(d) (1976). In contrast, the Act does not grant the Tribunal continuous jurisdiction to monitor the fairness of royalty rates. Rather, the statute sets out a precise schedule for initiation and conclusion of proceedings. *Id.* § 804. Proceedings for the adjustment of the royalty under the compulsory license for phonorecords are to be commenced on January 1, 1980, and thereafter only in response to petitions which may be filed “in 1987 and in each subsequent tenth calendar year.” *Id.* § 804(a)(1), (2)(B). All proceedings are to be “initiated without delay following publication of notice,” and the Tribunal is to “render its final decision in any such proceeding within one year from the date of such publication.” *Id.* § 804(e).

Because the timetable for proceedings is so rigid, it is conceivable that economic changes unforeseen at the time of the most recent rate proceeding could create an unfairness in the royalty rate that could not be rectified until the next rate proceeding. The statute itself demonstrates that

Congress recognized and accepted this possibility: the inflexibility of the timetable is highlighted by the narrow provision for additional proceedings to adjust the royalty rate for secondary transmission by cable systems in the event of certain changes in federal regulatory policy. Cable royalty adjustments to reflect national monetary inflation and changes in rates to cable subscribers are permitted only in 1980 and each subsequent fifth calendar year, *see id.* § 804(a)(1), (2)(A), but adjustments in response to amendments to certain Federal Communications Commission rules governing cable operation are permitted whenever the FCC implements such changes, *id.* § 804(b).

The statute thus indicates that Congress intended the Tribunal to exercise its discretion to determine royalty rates only at recurring intervals. This indication is fully borne out by the legislative history. The long intervals between Tribunal proceedings were not accidental, but were the product of a continuing process of compromise between opposing interests. *See, e. g., 1975 Senate Report* at 169 (additional views of Sen. Tunney); 122 Cong.Rec. 3823 (1976) (remarks of Sen. Thurmond). The House report explained its reasons for choosing different intervals for the different royalty rates, in terms demonstrating a belief that the Tribunal would not be reevaluating the economic situation between statutory proceedings:

[T]he Committee recognizes that the cable television industry is a developing industry in transition, whereas the recording and jukebox industries are long-established. Therefore, the Committee has chosen periods of different lengths in which the [Copyright Royalty] Commission is to review the rates affecting those industries. . . .

The Committee has chosen to stagger the times for review of the various rates established under the bill so as to balance the workload of the Commission.

1976 House Report at 173, U.S.Code Cong. & Admin.News at p. 5789.

The copyright owners and the Tribunal itself, in defending the Tribunal's proposed interim adjustment system, have not presented any evidence from the legislative history indicating that the conversion of the Tribunal from an ad hoc panel of arbitrators to a permanent agency was intended to change the nature of the Tribunal's functions during the periods between statutory rate proceedings. The reasons given in the House for reconstituting the Tribunal were avoiding possible constitutional infirmities and strengthening the Tribunal's ability to carry out the responsibilities it already possessed. *See* note 13 *supra* and accompanying text; *1976 House Report* at 174; 122 Cong.Rec. 34,226 (1976) (remarks of Rep. Kastenmeier). Yet it is clear from the Senate debates³⁶ and from the

³⁶*See, e.g., 122 Cong.Rec.* 2836 (1976) (remarks of Sen. Tunney); *id.* at 3147 (remarks of Sen. McClellan); *id.* at 3823 (remarks of Sen. Abourezk).

structure of the Senate's ad hoc Tribunal proposal that no adjustment proceedings were intended for interim years—indeed, no proceedings were *possible*, since the “Tribunal” was to consist of separate panels of arbitrators, each selected for a single rate proceeding in the years designated by the bill, producing its final decision within a year. See Senate Bill §§ 802, 803(a), 804(e); *1975 Senate Report* at 36, 157.³⁷

The Senate debates also contain the fullest elucidation of the harms inherent in frequent rate review, which justified acceptance of the possibility that some inequity would develop during the interim periods. One disadvantage of frequent Tribunal proceedings was the expense to the parties resulting from active administrative and judicial litigation:

First of all, the procedure set out in chapter 8 for accomplishing a review of the fee schedules entrusted to the tribunal is a complex one. It will take almost 2 years to complete, even disregarding the possibility of subsequent judicial review. Because this process is time-consuming and complex, it will necessarily be costly for the industries involved, and these costs must obviously be passed on eventually to consumers.

122. Cong.Rec. 3148 (1976) (remarks of Sen. Beall). Another ill effect of decreasing the period between adjustments was its unsettling effect on industry planning. “[T]he industry needs rate certainty for a fixed, stable period.” *Id.* (statement of Sen. Abourezk); see *id.* at 3149 (remarks of Sen. Beall).

[5] Thus, the legislative history and the structure of the statute itself evidence a deliberate congressional intent to limit the Tribunal's exercise of discretion in evaluating economic and other factors relating to the fairness of the royalty rate to the review proceedings provided by the statute. This interpretation of the statute is in substantial agreement with the Tribunal's own interpretation, as set out in its regulations. For example, those regulations provide that, after 1980, “for rate adjustment proceedings to comme[n]ce, a petition must be filed by an interested party according to the [statutory] schedule.” 37 C.F.R. § 301.61(b) (1980). Furthermore, “[f]ollowing the publication of a final determination in the *Federal Register* the Tribunal shall not reopen or conduct any further proceedings.” *Id.* § 301.68. Nonetheless, without even alluding to the statutory limits on its authority to conduct proceedings, the Tribunal

³⁷The twelve-month time limit for decision could be extended on a showing of good cause, upon the approval of the Judiciary Committees of both houses of Congress. See Senate Bill § 804(e); *1975 Senate Report* 36, 157. Panels were to be convened to decide royalty *distribution* controversies whenever the Register of Copyrights determined that such a controversy existed. See *id.* § 803(a); *Senate Report* at 36.

The periodic review provisions of the Senate bill were not greatly different from those enacted; the House changed the lengths of some of the intervals, staggered the second review dates, and added the provision for cable rate redetermination in response to FCC action. Compare *id.* §§ 802–804; *Senate Report* at 36 with 17 U.S.C. § 804 (1976).

adopted its scheme for determining through its own expertise an average price of records. *See* 46 Fed.Reg. at 10,485–86.

The Tribunal itself has given no explanation of how these nonstatutory proceedings can be reconciled with the statute, but its counsel argues that the interim proceedings are permissible because they are not the same *kind* of proceeding as the statutory rate determinations. Rather than a plenary reconsideration of the fairness of the return the rate affords to the copyright owners and users, these proceedings are intended “to maintain the real fee level” in the face of raging inflation. Brief for Respondent Copyright Royalty Tribunal at 48 (emphasis omitted).³⁸ But regardless of the narrower scope of the intended inquiry, the analysis of record industry pricing structure is sure to be complex and expensive, and possesses ample potential for spawning litigation. Not only would the Tribunal be free to choose among competing “representative samples” in determining average list prices, but it would also have the option of rejecting list prices as “distorted” and switching to a wholesale pricing model. Congress intended that the Tribunal undertake such analyses of the economics of the recording industry only at the widely-spaced recurring statutory proceedings.³⁹

We do not suggest that the Tribunal must set a flat rate that will remain in effect until the next rate determination in 1987. If economic conditions make it implausible that any numerical rate will remain reasonable over the next seven years, then we see nothing in the statute precluding the Tribunal from adopting a reasonable mechanism for automatic rate changes in interim years. *See Permian Basin Area Rate Cases*, 390 U.S. 747, 776, 88 S.Ct. 1344, 1364, 20 L.Ed.2d 312 (1968). But, whatever the scope of the Tribunal’s adjustment powers may be the mechanism chosen must be well-determined and beyond the Tribunal’s discretion, and judicial review of the reasonableness of the chosen mechanism must be available as part of the review of the Tribunal’s statutory rate proceeding.

³⁸The significance of the expression “to maintain the real fee level” is not entirely clear. Contrary to the implication in NMPA’s arguments that inflationary pressure on the purchasing value of the royalty rate is the key, *see* Answering Brief for Intervenor NMPA at 23–27, the adjustment procedure is not designed to track changes in the purchasing power of the dollar. Rather, royalty payments are increased only to the extent that record manufacturers increase the prices of their products. *See* 46 Fed.Reg. at 10,486. Maintaining the royalty as a constant fraction of average record prices appears to be more related to guaranteeing copyright owners a fair share of industry revenues than to compensating for erosion of the rate by inflation. This approach is, of course, within the discretion of the Tribunal; we do not suggest that tying the royalty rate to the consumer price index would be more appropriate.

³⁹Our inability to defer to the Tribunal on this point of statutory interpretation results from the clarity of the statutory language and the legislative history, the failure of the Tribunal to address the legal point directly, and the irrelevance of the Tribunal’s expertise to the legal question of its authority to institute proceedings between the statutory dates. *See, e. g., Office of Consumers’ Counsel v. FERC*, 655 F.2d 1132 at 1141–1142 (D.C.Cir.1980), and cases cited.

It is possible that an automatic adjustment mechanism will subject the copyright owners to some inequities during interim periods, but this is the "delicate balance" that Congress decreed in the Copyright Act. *See* 122 Cong.Rec. 3823 (1976) remarks of Sen. Abourezk).

We conclude that the Tribunal impermissibly awarded itself discretion to reevaluate economic conditions in the recording industry as a part of its rate adjustment mechanism. The scope of the discretion reserved may be relatively narrow when compared to the plenary review proceedings, but the statute gives the Tribunal no authority to engage in discretionary interim proceedings on this subject at all. Accordingly, the adjustment regulations, 46 Fed.Reg. 892 (1981) (to be codified at 37 C.F.R. §§ 307.3, 307.4), cannot be upheld. This case must be remanded to the Tribunal for further proceedings to allow the Tribunal, if it so desires, to adopt an alternative scheme of interim rate adjustment that does not require annual exercise of discretion.⁴⁰ Since this defect in the Tribunal's decision does not impair the reasonableness of the royalty rate as set for 1981, our remand is not intended to obstruct the effectiveness of the four-cent royalty rate as of July 1, 1981.

IV. CONCLUSION

Congress created a permanent Copyright Royalty Tribunal to set fair royalty rates under the compulsory licenses in accordance with a consistent and articulated royalty policy. The statutory criteria determining the reasonableness of the phonorecord royalty rate provide significant guidance to the Tribunal, but they also leave it considerable discretion in charting royalty policy. We expect that in future years the staggering of the Tribunal's workload will permit a fuller explanation of the Tribunal's conclusions, more facilitative of judicial review, but we find on the whole that the Tribunal has adequately explained its reasons and adduced support for its adjustment of the royalty rate.

We conclude that the Tribunal's rate adjustment withstands the attacks launched by the various petitioners from their respective sides, and that the Tribunal did not act arbitrarily or unlawfully in deferring the effective date of the new rate. We find, however, that the Tribunal exceeded its authority in adopting its procedure for interim rate adjustments. Accordingly, the case is remanded for the limited purpose of allowing the Tribunal to consider whether it wishes to adopt an alternative scheme for

⁴⁰The statutory provision requiring the Tribunal to render its final decision within one year from initiation of proceedings, 17 U.S.C. § 804(e) (1976), does not preclude further proceedings on direction of a court exercising judicial review. *See Jacksonville Port Authority v. Adams*, 556 F.2d 52, 56 (D.C.Cir.1977).

interim adjustments that is within the limits ordained by Congress. In all other respects the Tribunal's decision is upheld.

IT IS SO ORDERED.

Dorothy F. **RODGERS**, etc., et al., Plaintiffs, v. **BRECKENRIDGE HOTELS CORP.**, et al., Defendants

Charles **STROUSE**, et al., Plaintiffs, v. **BRECKENRIDGE HOTELS CORP.**, et al., Defendants

Nos. 80-1200C(2), 81-296C(2)

(United States District Court, E.D. Missouri, E. D. — May 7, 1981)

512 F. Supp. 1326. 214 USPQ 337

Plaintiffs brought suit alleging defendants infringed plaintiff's copyrights in certain musical compositions by publicly performing them, and sought injunctive relief, plus statutory damages and costs and attorney fees. On defendants' request for jury trial, the District Court, Nangle, J., held that award of statutory damages was an equitable remedy, and therefore, defendants were not entitled to jury trial on plaintiffs' complaint.

Request stricken.

1. Jury

Plaintiffs' requests for injunctive relief, costs and attorneys' fees were equitable in nature and did not entitle defendants to jury trial.

2. Jury

Joinder of claims for equitable relief with legal claims would not defeat defendants' right to jury trial on legal claims.

3. Federal Civil Procedure

Award of damage pursuant to statute allowing copyright owner to elect to forgo recovery of actual damages and profits and to recover instead statutory damages "in sum of not less than \$250 or more than \$10,000 as the court considers just" was an equitable remedy, and thus, defendants were not entitled to jury trial on complaint alleging that defendants had infringed plaintiffs' copyrights in certain musical compositions by publicly performing them. 17 U.S.C. § 504(c).

W. H. Copeland, Clayton, Mo., for plaintiffs.

Richard E. Coughlin, Clayton, Mo., for defendants.

MEMORANDUM

NANGLE, *District Judge*. These cases are now before the Court to determine whether defendants are entitled to a jury trial on plaintiffs' complaint. Plaintiffs allege in these actions that defendants have infringed plaintiffs' copyrights in certain musical compositions by publicly performing those compositions. Plaintiffs seek injunctive relief, plus statutory damages and costs and attorneys' fees. Defendants have requested a jury trial, and plaintiffs oppose that request.

Plaintiffs have disclaimed any desire to recover actual damages or profits pursuant to 17 U.S.C. § 504(b), and seek to recover only statutory damages as provided for in 17 U.S.C. § 504(c). Plaintiffs seek "such statutory damages as shall appear just, . . . , namely, not more than Fifty Thousand Dollars (\$50,000)¹ nor less than Two Hundred and Fifty Dollars (\$250) in each cause of action."

[1, 2] It is clear that plaintiffs' requests for injunctive relief, costs, and attorneys' fees are equitable in nature and do not entitle defendants to a jury trial. The question is whether plaintiffs' requests for statutory damages are properly characterized as legal or equitable. If legal, the joinder of claims for equitable relief would not defeat defendants' right to a jury trial on the legal claims. *Dairy Queen v. Wood*, 369 U.S. 469, 82 S.Ct. 894, 8 L.Ed.2d 44 (1962); *McMahon v. Prentice-Hall, Inc.*, 486 F.Supp. 1296 (E.D.Mo.1980).

The courts which have decided this issue have not concurred as to the proper result. Compare *Broadcast Music, Inc. v. Papa John's Inc.*, 201 U.S.P.Q. 302 (N.D.Ind.1979); *Cayman Music, Ltd. v. Reichenberger*, 403 F.Supp. 794 (W.D.Wis.1975); and *Broadcast Music, Inc. v. Dici Naz Velleggia, Inc.*, 490 F.Supp. 1342 (D.Md.1980), all holding that the award of statutory damages is equitable, with *Chappell & Co., Inc. v. Pumpernickel Pub, Inc.*, 79 F.R.D. 528 (D.Conn. 1977); and *Chappell & Co. v. Cavalier Cafe*, 13 F.R.D. 321 (D.Mass.1952), which hold to the contrary. See, also, *Sid & Marty Krofft Television v. McDonald's Corp.*, 562 F.2d 1157 (9th Cir. 1977). This Court finds the reasoning of *Papa John's* persuasive.

[3] *Papa John's* dealt with the predecessor to the present section 504(c), but the reasoning therein is equally applicable to this section. The present section allows the copyright owner to elect to forego recovery of actual damages and profits and to recover instead statutory damages "in a sum of not less than \$250 or more than \$10,000 as the court considers just." When the court finds the infringement to have been willful, "the

¹In Count I of the First Amended Complaint in Cause No. 80-1200 C (2), the maximum recovery sought is Ten Thousand Dollars (\$10,000). Compare 17 U.S.C. § 504(c)(1) with 17 U.S.C. § 504(c)(2).

court *in its discretion* may increase the award of statutory damages to a sum of not more than \$50,000." Conversely, where the infringement is innocent, "the court *in its discretion* may reduce the award of statutory damages to a sum of not less than \$100." (Emphasis added).

The very language of this section suggests equitable relief. The Court is to exercise its discretion in determining what is just.

In other words, the court's conception of what is just in a particular case, considering the nature of the copyright, the circumstances of the infringement and the like, is made the measure of damages to be paid, but with the express qualification that in every case the assessment must be within the prescribed limitations, that is to say, neither more than the maximum nor less than the minimum. Within these limitations the court's discretion and sense of justice are controlling, but it has no discretion when proceeding under this provision to go outside of them. *L. A. Westermann Co. v. Dispatch Printing Co.*, 249 U.S. 100, 106-107, 39 S.Ct. 194, 195-196, 63 L.Ed. 499 (1919).

See, also, *Woolworth Co. v. Contemporary Arts*, 344 U.S. 228, 232, 73 S.Ct. 222, 225, 97 L.Ed. 276 (1952). This Court therefore believes that an award of statutory damages is an equitable remedy. Defendants' request for a jury trial will be stricken.

RODGERS, et al. v. QUESTS, INC., et al.

STONEBRIDGE MUSIC, et al. v. QUESTS, INC., et al.

Nos. C79-243-Y and C80-1899-Y

*(United States District Court, N. D. Ohio, Eastern Div.—Decided
October 30, 1981)*

213 USPQ 212

Consolidated actions by Richard Rodgers, et al., by Stonebridge Music, et al., against Quests, Inc., Phillip Cantagallo, et al., for copyright infringement. Judgment for plaintiffs.

COPYRIGHTS

1. Infringement—In general

One may be vicariously liable, as contributory infringer, for copyright infringement if he has right and ability to supervise infringing activity and also has direct financial interest in such activities.

2. Infringement—In general

Person who instructs musical groups not to play copyrighted music and then claims ignorance as to their program is deemed to have acquiesced in musicians' performance since he allowed musicians discretion to select program.

3. Accounting—Damages—Copyrights

Where plaintiff in copyright infringement action has neither offered any proof of actual damage that was suffered as a result of infringements, nor shown any profits of infringers that are attributable to infringement, court is unable to award copyright owners, either actual damages suffered or any additional profits of infringer.

4. In general

Public Law 94-553, revising copyright laws was effective January 1, 1978 with certain exceptions.

5. Accounting—Damages—Copyrights

17 U.S.C. 504(c) statutory damages for each infringement are to be in sum of not less than \$250 nor more than \$10,000 as court considers just.

6. Accounting—Damages—Copyrights

17 U.S.C. 504(c)(2) provides that, if court finds infringement was willful, in its discretion, it may increase award of statutory damages to sum of not more than \$50,000; same section also permits court to reduce statutory damages as low as \$100 under designated circumstances of innocence; Section 504(c)(1) does not preclude court, in fixing statutory damages between \$250 and \$10,000, to treat some or all of any sum fixed in excess of \$250 as punitive damages; significantly, clause (1) omits caveat of prior Act that statutory damages shall not be regarded as penalty.

7. Costs—In general

17 U.S.C. 505 applies to infringements occurring after Jan. 1, 1978.

8. Costs—Attorney's fees

17 U.S.C. 505 "except as otherwise provided by this Title" refers to preceding sentence that precludes awarding of attorney fees to, or against, United States or officer thereof.

9. Costs—Attorney's fees

Since attorney's fees may be awarded to prevailing party only in exercise of court's discretion, it is evident that prevailing party is not always entitled to such award; awarding attorney fees under predecessor provision in prior Copyright Act, 17 U.S.C. 116, was discretionary with court.

10. Costs—Attorney's fees

Copyright infringement defendant's good faith in defending claim of personal liability must be considered in awarding attorney's fees.

Baker and Hostetler, John F. Novatney, and Kris Kostolansky, all of Cleveland, Ohio, and Bernard Korman, and Ross Charap, both of New York, N.Y., for plaintiffs.

C.D. Lambros and Lawrence Klein, both of Cleveland, Ohio, and Phillip Cantagallo, Ashtabula, Ohio, for defendants.

THOMAS, *Senior District Judge.*

MEMORANDUM AND ORDER

In each of these consolidated cases, copyright infringement is alleged in violation of 17 U.S.C. § 501, et seq. Jurisdiction exists in this court under 28 U.S.C. § 1338(a).

At the beginning of a two-day trial, stipulations of fact were entered by the parties. The stipulations and the incorporated portions of the complaints in the two cases establish facts which impose liability on defendant Quests, Inc.

Part I reviews the stipulated facts and the injunction issued against defendant Quests, Inc. Part II considers and decides plaintiffs' claim against defendant Cantagallo.

I.

Plaintiff Richard Rodgers and the other 16 named plaintiffs on June 9 and 10, 1978 "owned and still own and are proprietors of valid copyrights in and to the original musical compositions which are the subject of this action." Beginning with "Some Enchanted Evening" and ending with "The Great Pretender," 19 musical compositions are listed in Schedule A "opposite the name of each respective plaintiff copyright owner." "[S]uch plaintiffs have complied with all formalities required to secure such copyrights under applicable provisions of the United States Copyright Act."

In the second action, Stonebridge Music and the other 18 named plaintiffs on May 11, 1979 "owned and still own and are proprietors of valid copyrights in and to the original musical compositions which are the subject of this action." Beginning with "Beautiful Noise" and ending with "I Will Be In Love With You," 18 musical compositions are listed in Schedule A, "opposite the name of each respective plaintiff copyright owner." "[S]uch plaintiffs have complied with all formalities required to secure such copyrights under applicable provisions of the United States Copyright Act."

Schedule A of each complaint lists the names of writers, the date of publication, the certificate of registration number, the copyright renewal, if any, and the renewal certificate date and number of each listed musical composition.

On the dates of June 9 and 10, 1978 as to the Rodgers, et al. claims of infringement, and on May 11, 1979 as to the Stonebridge Music, et al. claims of infringement, those musical compositions listed in Schedule A of each complaint "were performed and played as part of a broadcast over radio station WAQI."

Defendant Quests, Inc. ("Quests"), an Ohio corporation, is the owner and the licensed operator of radio station WAQI in Ashtabula, Ohio and has been for at least 18 years.

On June 9 and 10, 1978 and on May 11, 1979, Quests did not have the permission of the individual copyright owners to broadcast the listed musical compositions and did not have a valid license with ASCAP to do so.¹ In broadcasting on radio station WAQI the 19 identified musical compositions on June 10 and 11, 1978 and the 18 identified musical compositions on May 11, 1979 on radio station WAQI without permission of the copyright owners and without a valid ASCAP license, defendant Quests infringed the copyright of the identified musical compositions.

Upon these stipulated facts, on March 23, 1981 this court permanently enjoined defendant Quests, Inc. and its officers, agents and employees from broadcasting musical compositions copyrighted by members of ASCAP over radio station WAQI, Ashtabula, Ohio unless permission to broadcast said musical compositions has been granted by the copyright owners or their representative, ASCAP.

II.

[1] Plaintiff charges that defendant Phillip Cantagallo who resides in Ashtabula and there practices law, is liable to the plaintiff as a contributory infringer. *Gershwin Publishing Corp. v. Columbia Artists Management, Inc.*, 443 F.2d 1159, 1162, 170 USPQ 182, 184-185 (2d Cir. 1971), citing *Shapiro, Bernstein & Co. v. H. L. Green Co.*, 316 F.2d 304, 137 USPQ 275 (2d Cir. 1963), holds that "one may be vicariously liable if he has the right and ability to supervise the infringing activity and also has a direct financial interest in such activities."

The second element set forth in this language from *Gershwin* will be considered first. This element requires that the plaintiff prove that on the dates of the 37 infringements (June 9-10, 1978 and May 11, 1979), Phillip Cantagallo had a "direct financial interest" in the broadcasting activities of radio station WAQI.

Ownership reports filed by Quests, Inc. with the Federal Communication Commission, signed by Phillip Cantagallo as vice president, disclose that Kenneth S. Mapes, president of Quests, owns 125 shares (50 percent

¹Plaintiffs in these consolidated actions are all members of the American Society of Composers, Authors and Publishers ("ASCAP"). ASCAP is an unincorporated membership association of composers of music, writers of lyrics and publishers of musical compositions who have granted ASCAP only the right to license non-dramatic public performances of their copyrighted musical compositions on a nonexclusive basis.

All users of music that wish to lawfully publicly perform the copyrighted music owned by members of ASCAP must obtain permission either directly from the ASCAP members in interest or from ASCAP, as their representative. On behalf of its members, ASCAP licenses radio and television stations, radio and television networks, night clubs, hotels, background music services, airlines and other establishments and entities that desire to perform the copyrighted music owned by ASCAP's members.

of the 250 voting shares); Phillip Cantagallo, authorized to vote the stock of WAQI, Inc., is reported as owner of 110 shares of Quests (44 percent); and Robert Bixel, relative of Kenneth Mapes, owns 15 shares (6 percent).

Quests' 1979 application for renewal of its FCC three-year license discloses that Phillip Cantagallo owns 61 percent of the stock of WAQI, Inc. He has contracted to acquire an additional ten percent of the shares of WAQI, Inc. He testified that WAQI, Inc. is "a company that exists and has served no other function than holding those 110 shares in Quests." Although no share of Quests, Inc. has ever been in his name, Phillip Cantagallo's domination of WAQI, Inc., a paper company which owns 110 shares of Quests, corroborates the reality of his report to the FCC as vice president of Quests that he owns 44 percent of its stock. It is thereupon determined and found that on the relevant dates, indeed throughout the operation of radio station WAQI by Quests, Inc., Phillip Cantagallo has had a "direct financial interest" in WAQI and its broadcasting activities. The same is true of Kenneth Mapes, Quests' majority shareholder, although he is not a defendant in this case.

The next question is whether Mr. Cantagallo has had the "right and ability to supervise" the activities in which the infringements have occurred. Mr. Cantagallo testified, and there was no contradiction, that he makes his living practicing law full time with trial work a substantial part of his practice. Nonetheless, the evidence discloses that he has found time to devote his attention to the affairs of WAQI.

In about 1963, Robert J. Campbell, as a representative of Kenneth S. Mapes, came to Mr. Cantagallo and others with the proposition that Mr. Mapes had a construction permit to build an AM radio station in the Ashtabula area. He was seeking investors interested in the venture. Quests, Inc. owned land on North Bend Road, Saybrook Township (Ashtabula). The permit apparently required the radio station to be built on this parcel of 35 acres.

Mr. Cantagallo and several local investors incorporated WAQI, Inc. The proceeds of the sale of its stock were used to buy 110 shares of Quests stock in the name of WAQI, Inc. A construction fund of \$29,000 was borrowed, secured by two mortgages. A station building and radio tower were erected, and WAQI went on the air in 1964. Mapes, the majority shareholder of Quests (he owns 50 percent and Bixel, a relative, owns 6 percent) paid nothing towards construction costs. One of two guarantors on the WAQI, Inc. mortgages, Phillip Cantagallo made all the mortgage payments. Title to the land is held by Mr. Cantagallo and Mr. Cupido.²

The sparse minutes of Quests, Inc. which are in evidence indicate that until he resigned on July 10, 1964, Robert J. Campbell served as president

²According to the 1979 license renewal application, Mr. Cupido owns 12 percent of the stock of WAQI, Inc.

of Quests. There was no president during the ensuing ten months. On May 27, 1965, Phillip Cantagallo was elected president. The next available minutes, dated November 8, 1967, report that Robert Bixel was replaced as vice president by Phillip Cantagallo on the nomination of Kenneth Mapes. Presumably Mr. Mapes was then serving as president, and he has continued to hold that position ever since. Similarly, Phillip Cantagallo continued as vice president until he tendered his resignation, effective October 31, 1980, in a letter to Kenneth S. Mapes dated October 30, 1980.

According to Mr. Cantagallo, it was originally agreed that WAQI, Inc. would purchase all of the stock of Quests, Inc. At some point, a specific performance action was filed to compel the transfer of Quests' stock to WAQI, Inc., and eventually the suit was settled.³

Mr. Cantagallo testified about subsequent events:

Well, months go by and we got right back into the same muddle, the Mapes through their agents refused to sell and transfer the rest of the stock, and that's where it remains to this day, 110 shares WAQI, Inc. holds, and the Mapes and relatives of the Mapes hold the balance of 140 shares.

Mr. Cantagallo denies attending a special meeting of the board of directors of Quests, Inc. on November 8, 1967, the minutes of which show his attendance and his appointment as vice president. He does say that after that meeting, Mr. Philip Kerwin came to his office and "literally dumped the station in [his] lap." He says, "It was from that day on that the Mapes disappeared."⁴

Quests has a general bank account and a payroll account. Both Mr. Cantagallo and Joanne Shaylor, his legal secretary of 23 years, have authority to sign checks on the accounts.⁵ Joanne Shaylor makes out the payroll checks and performs bookkeeping services for the radio station. For these services she is paid \$50.00 a week. As needed, Mr. Cantagallo transfers monies from the general bank account to the payroll account. Occasionally he has paid his own funds into the general bank account. He admits that he has "advanced substantial sums of money" to Quests, Inc. and that he has "never received a penny for work * * * done." In contrast,

³Minutes of the meeting of October 4, 1967 report the adoption of a resolution to authorize the corporation to "enter into an agreement with Carmen Cupido & Phillip Cantagallo for the sale of stock, resolution of lawsuits, transfer permit."

⁴However, the Mapes continued to have some part in Quests' business. A resolution adopted by the board of directors of Quests, Inc. on January 22, 1969 and signed by directors Bixel, Kenneth S. Mapes, Nettie Mapes, Cantagallo, and Cupido provided that the Mapes would advance \$3,116.26 to Quests, Inc. to satisfy a note held by Pete Johnson for radio engineering services rendered."

⁵By a resolution of the board of directors of October 4, 1967, an Ashtabula bank was designated as the depository for the payroll account of WAQI. Authority to sign checks was given to Phillip Cantagallo, Rick Randy (the manager), or Joanne Shaylor.

he says that since 1969 Mr. Mapes, the majority stockholder, has not, to his knowledge, advanced any monies to the corporation.

Mr. Cantagallo has benefited Quests, Inc. in other ways. Without compensation he has legally represented and acted for Quests in the five copyright infringement actions brought by ASCAP discussed below. Some of these cases were settled with his own monies.

As vice president he has signed Quests' Federal Communication Commission ownership reports. In connection with 1976 ownership report, he executed an affidavit which states that he is the vice president of Quests, Inc. and a stockholder of WAQI, Inc. Among other things, the defendant further states that he "has a personal net worth of not less than Two Hundred Thousand Dollars (\$200,000) and that he will furnish funds to cover any deficit resulting from the future operation of said Radio Station." Further, as vice president of Quests, Mr. Cantagallo signed the 1979 FCC application of Quests for a three-year renewal of its license; and he has signed Quests' U.S. corporation income tax returns.

Mr. Cantagallo also has performed executive functions for Quests and WAQI. A Mapes representative participated with Mr. Cantagallo in hiring Rick Randy as manager. But no Mapes supervision of Randy is shown, on the other hand. Mr. Cantagallo says he could have exercised authority and control over Randy in his operations, but he "didn't have the time." In arranging for Mr. Randy's "mutual termination," it was Mr. Cantagallo who played the leading role.

Randy's replacement, Byron Landolfi, the present manager, first worked for the station as assistant engineer. It was Mr. Cantagallo who hired him. Mr. Landolfi's wages as station manager are fixed by Messrs. Cantagallo and Cupido. As to whom Mr. Landolfi is immediately responsible, Mr. Cantagallo answered, "Well, to the local investors, the ones that have the greatest interest in the station at this time." "The local investors" really means Mr. Cantagallo, the facts show. Thus, in answering the same question at his deposition, he said, "Technically to me because I'm the one left." Mr. Landolfi often comes to Mr. Cantagallo with "money problems."

A disc jockey employed for the last four years by WAQI testified that he receives his "work instructions" from "Mr. Landolfi, the station manager." In the four years he has worked there, he recalls seeing Mr. Cantagallo at the station "about maybe six times." Mr. Cantagallo testified that he does not have a key to the station.

Writing on September 2, 1980 to the attorney who represents Mr. and Mrs. Kenneth S. Mapes, Mr. Cantagallo informed him that he was "resigning as the overseer of the operations of Radio Station WAQI as of September 14, 1980." On October 30, 1980 Mr. Cantagallo wrote Mr. Mapes, "your continued indifference to the problems of Radio Station WAQI compels [me] to tender my resignation as vice president of Quests,

Inc.” In these two letters, read together, Mr. Cantagallo characterized his position as vice president of Quests, Inc. as one in which he was the “over-seer of the operations of radio station WAQI.” The foregoing evidence proves that he has had full operations oversight. It is not, as he testified in March 1980, that his oversight of the operations of Quests and WAQI was “limited purely to * * * legal matters * * * the ASCAP licensing agreement * * * income tax returns, quarterly returns, all governmental stuff, matters going to the FCC.”

In his brief, Cantagallo urges:

[A]s to his having the ability to supervise the infringing activity, the evidence is uncontradicted that Cantagallo rarely visited the station, and that he did not even have a key to enter the station building. Cantagallo has been a full-time practicing attorney since 1952 and he therefore had no opportunity or ability to supervise the infringing activity.

Defendant distinguishes *Boz Scaggs Music v. KND Corporation*, 491 F.Supp. 908 (1980), cited by the plaintiff. He notes:

In that case (which also involved ASCAP) the Court found the individual defendant, Dawson, liable for the infringement; however, in addition to holding the office of vice president. Dawson was also the full-time general manager of the radio station, including the responsibility of overseeing the day-to-day activities of the station, including responsibility for the direct supervision of the music director. Dawson also spent an average of 40 hours per week at the station. In holding Dawson personally liable, the Court found that he was a controlling individual who was in a position to police the conduct of the primary infringer.

Plaintiff counters:

The fact that Cantagallo oversaw the station’s operations can hardly be disputed. However, Cantagallo apparently believes that he can avoid personal liability by the mere expediency of stating that he was not present at the station on a regular basis. (Tr. at 409.) Such a subterfuge surely should not be given credence by this court.

Plaintiff points to the “test enunciated by the court in *Boz Scaggs Music, supra*, which had its genesis in *Gershwin Publishing Corp. v. Columbia Artists Management, Inc., supra*.” This test imposes vicarious liability on a corporate officer or employee who has the “right and ability to supervise the infringing activity.” Plaintiff urges that “Cantagallo as the Vice President of Quests clearly had the right and ability to terminate the infringing activities of the Station.” Plaintiff notes that “ASCAP was communicating directly and solely with Cantagallo concerning the infringements. At no time did Cantagallo suggest that ASCAP contact someone else.”

General manager Dawson’s oversight of the “day-to-day activities” of station WKND, as described in *Boz Scaggs, supra*, differs from vice president Phillip Cantagallo’s oversight of the activities of WAQI only partially

in nature. The oversight of each over the respective radio station was the same in effect. Moreover, vice president Cantagallo's oversight of the activities of WAQI, as it related to ASCAP, was not supervisory but direct and personal. General Manager Dawson's contact with ASCAP was neither as lengthy nor as pervasive as that of vice president Cantagallo.

Mr. Cantagallo's direct contacts with ASCAP began when he became vice president in 1967 and lasted at least through July 1978. In these contacts, Mr. Cantagallo has been more than Quests' lawyer. He has been the personification of Quests. All of ASCAP's station WAQI contacts have been with him.

ASCAP wrote to WAQI and Quests, Inc., on October 20, 1967 noting that its copyright license was in default. Mr. Cantagallo on November 7, 1967 forwarded a \$250 check to ASCAP, informing ASCAP that he was "in the process of reorganizing the affairs of the above captioned radio station, and [he was] finding that its business records were in a chaotic condition."

Three letters from ASCAP to Mr. Cantagallo followed, pointing out WAQI's continued default and increasing indebtedness. In responding in a letter of January 24, 1968, Mr. Cantagallo, in effect, personally guaranteed that he would meet Quests' and WAQI's obligation to ASCAP. He enclosed a check for \$250 to apply on WAQI's account and then individually signed a letter which stated:

The affairs of this radio station are slowly, but surely, being straightened out. The word "chaotic" does not fully describe the condition that recently existed at this station.

Please be patient with us for a while longer, as I intend to see that the obligation due your Society is fully honored; however, I must have your cooperation.

After more correspondence from ASCAP and its Cleveland counsel (Baker & Hostetler) to Mr. Cantagallo, he sent a \$2,500 check in payment of Quests' past-due account through March 31, 1968. Eventually on July 13, 1968, Mr. Cantagallo as vice president for Quests, Inc. signed a back-dated license agreement with ASCAP to run from April 1, 1968 through March 31, 1973.

Once more Quests and WAQI failed to submit required reports and royalty payments. On August 13, 1969, ASCAP terminated Quests' license agreement. For the next six years there was no license agreement. Notwithstanding, Quests continued to broadcast copyrighted music without permission and without payment of royalties. *Blue Seas v. Quests, Inc.*, No. C72-19 (Judge Contie), was filed on February 23, 1972, alleging ten counts of infringement. On October 19, 1972, *Twentieth Century Music v. Quests, Inc.*, No. C72-1122 (Judge Contie), was filed, alleging nine counts of copyright infringement. These cases were settled through negotiations between counsel for ASCAP and Mr. Cantagallo. Through Mr. Can-

tagallo, a twenty-five hundred dollar check was paid by Quests to ASCAP on March 30, 1973 as payment in full.

Counsel for ASCAP in a letter of May 29, 1973, sent Mr. Cantagallo copies of the satisfactions of judgment in the two cases. The same letter noted Mr. Cantagallo's representation. "You wished to put your affairs in order and enter into a continuing license agreement to avoid lawsuits such as the two which have been recently concluded." The letter further informed him that ASCAP had in its possession "several recent tapes of continuing infringing performances from your station WAQI." Counsel informed Mr. Cantagallo that an additional infringement action would be filed in the event that he did not hear from Mr. Cantagallo in the near future. There is no indication that Mr. Cantagallo responded to the letter. However, ASCAP did not commence another lawsuit against Quests until *Alan J. Lerner v. Quests, Inc.*, alleging 20 counts of copyright infringement, was filed on May 21, 1975.

Assigned to Judge Krupansky, the Lerner case was settled on August 2, 1976. As part of the settlement Quests paid to ASCAP \$3,162.50, which was deemed to pay Quests' license fees through October 31, 1975. Mr. Cantagallo admitted that the station account "would not have had that balance in it and there must have been some supplementation of money from my personal account." Also as part of the settlement, Mr. Cantagallo for Quests, Inc. entered a second copyright license agreement with ASCAP for a period commencing November 1, 1975 and ending February 28, 1977.

The license agreement expired on February 28, 1977. Repeated letters from ASCAP to Mr. Cantagallo sought a new license with Quests. Seven letters were mailed in the balance of 1977. Seven letters and telegrams were sent in 1978, the last on July 26, 1978. The communications were not answered, and no new license agreement was consummated.

In 1977 Quests, through Mr. Cantagallo, made payments of \$691.31 to ASCAP. In a letter to Mr. Cantagallo dated January 23, 1978, ASCAP acknowledged receipt of \$100 on December 20, 1977 from WAQI. Crediting this payment, ASCAP informed Mr. Cantagallo that WAQI owes \$602.88 through the January 15, 1978 monthly billing.

Mr. Cantagallo's secretary sent a February 20, 1978 payment of \$100 and a May 1, 1978 payment of \$150. On June 8, 1978, a letter to Mr. Cantagallo returned the \$150 check "because your station is not licensed by ASCAP." He was further informed that if licensed, "WAQI would owe \$962.70 through May 31, 1978 plus 1976 and 1977 annual reports." The letter further reminded Mr. Cantagallo:

Until all payments and reports have been received, station WAQI will remain unlicensed to perform any of the copyrighted musical compositions in the Society's repertory and any such performance without permission from the respective members in interest will constitute infringements of the respective copyrights.

Despite this notification, WAQI continued to broadcast musical compositions from the repertory of ASCAP. A July 26, 1978 ASCAP letter informed Mr. Cantagallo that "tape recordings made of your station's broadcast on July 9, 10 and 17, 1978 disclosed infringing performances of many songs in our repertory," including 11 identified musical compositions. He was told further that unless a check for \$1,195.88 and reports for 1976 and 1977 were received within ten days, the claims for infringement would be referred to Society's counsel. The Rodgers suit was filed February 6, 1979, and the Stonebridge Music suit was filed October 14, 1980.

Thus Mr. Cantagallo received specific notice that earlier ASCAP copyright infringing by WAQI, resulting in three lawsuits which he settled, was being repeated by WAQI. The station was continuing to broadcast musical compositions from the ASCAP repertory. With this knowledge, responsibility was thrust upon him as vice president and overseer of the station's activities to take steps to prevent further copyright infringements over its airways. He cannot excuse his failure to act as he attempted to do at trial by stating:

I never went down to the station and observed that kind of authority down there, didn't give any instruction at all.

When you're saying about to avoid or to prevent, was that the word you used, prevent infringements, I don't know what they are playing. I'm not dictating what is being done down there. That's the station manager's function.

After the expiration of the ASCAP license on February 28, 1977, the very least supervision which Mr. Cantagallo should have undertaken was to instruct the station manager to take some effective steps to prevent disc jockeys from broadcasting musical compositions of the ASCAP repertory. He did nothing, yet he might have. Thus he was asked.

Now you could have exercised authority over, Randy, [station manager during the Rodgers infringements] in his operations, couldn't you, and didn't you so state at your deposition?

A—[By Mr. Cantagallo]: Yes, I could have, but I didn't. I didn't have the time.

[2] In his testimony, Mr. Cantagallo sought to excuse his omission by saying that "the person [Mr. Mapes] who had the authority has abandoned it." Whether Mr. Mapes should share responsibility for the copyright infringements that are the subject of this litigation is, however, not an issue in this case. What is at issue is whether Mr. Cantagallo has personal liability for Quests' and WAQI's copyright infringements. In *Shapiro, Bernstein & Co. v. H. L. Green Company*, 316 F.2d 304, 309, 137 USPQ 275, 278-279 (2d Cir. 1963), the court noted that plaintiff had written to Green about "bootleg" records and threatened suit, yet received no answer. This reinforced the court's conclusion "that in many cases, the party found

strictly liable is in a position to police the conduct of the ‘primary’ infringer.” Similarly here, the facts show, and Mr. Cantagallo’s admission shows that he was in a position to “police the conduct” of the disc jockeys, music director, and station manager, who were probably the “primary” infringers.⁶

Upon the entire record, it is concluded and determined that Mr. Cantagallo at all pertinent times had the “right and ability to supervise the infringing activity and also ha[d] a direct financial interest in such activities.” *Gershwin Publishing Corp. v. Columbia Artists Management, Inc.*, 443 F.2d 1159, 1162, 170 UPSQ 182, 184–185 (2d Cir. 1971). Accord, *Lottie Joplin Thomas Trust v. Crown Publishers*, 456 F.Supp. 531, 537 (S.D.N.Y. 1977), affirmed 592 F.2d 651, 199 USPQ 449 (2d Cir. 1978). Mr. Cantagallo’s failure to take any steps to prevent WAQI’s broadcast of musical compositions from the ASCAP repertory, although he knew that they were being broadcast without a license and without consent of the composers, renders him personally liable for the copyright infringements and subject to damages under 17 U.S.C. § 504. Rendering Mr. Cantagallo personally liable for these acts and omissions imposes no greater responsibility upon Mr. Cantagallo than he placed upon himself when he stated in his letter to ASCAP on January 24, 1968, “I intend to see that the obligation due your Society is fully honored.”

The permanent injunction previously entered against defendant Quests is now ordered extended to defendant Cantagallo. Also, monetary damages will be awarded against Mr. Cantagallo as well as Quests, Inc.

III.

A

[3, 4] In considering plaintiff’s request for monetary damages against both defendant Quests, Inc. and defendant Phillip Cantagallo, it is first noted that plaintiff has neither offered any proof of actual damage which ASCAP has suffered as a result of the infringements nor has plaintiff shown “any profits of the infringers that are attributable to the infringement.” Hence, pursuant to 17 U.S.C. § 504 (b), the court is unable to award to the copyright owners either “actual damages suffered” or “any additional profits of the infringer.”⁷

⁶ Even a person who instructs musical groups not to play copyrighted music and then claims ignorance as to their program, “is deemed to have acquiesced in the musicians’ performance since he allowed the musicians the discretion to select the program.” *Chess Music, Inc. v. Sipe*, 442 F.Supp. 1184, 1185, 199 USPQ 767, 768 (D.C.Minn. 1977).

⁷ Section 504 is part of Chapter V of the copyright laws revised in their entirety by Public Law 94-553, Title I, section 101, October 19, 1976, effective January 1, 1978 with certain exceptions not here applicable.

[5] However, the copyright owners have elected pursuant to section 504(c) "to recover" an award of statutory damages for all infringements involved in the action. By section 504(c)(1), statutory damages for each infringement are to be in a "sum of not less than \$250 or more than \$10,000 as the court considers just."

It is of interest that in *Boz Scaggs Music*, *supra*, at 915, in fixing statutory damages as \$1,000 for each of the 23 infringements, Judge Blumenfeld allowed damages in excess of the "well over \$16,000 in fees, subject to audit" which defendants admitted that they owed ASCAP. One wonders if the \$23,000 included some component as an assessment "of the defendants' culpability and the damage suffered by the plaintiffs," even though the court recognized that "the Act contemplates an award of statutory damages in lieu of actual damages and profits, and not an award premised on notions of penalty or punishment."⁸

[6] Not a part of the old law, new provision section 504(c)(2) provides that if a court finds that the "infringement was committed willfully," the court "in its discretion may increase the award of statutory damages to a sum of not more than \$50,000."⁹ Clearly, such increase of an award conditioned on willful infringement would constitute punitive damages. The same section also permits the court to reduce statutory damages as low as \$100 under designated circumstances of innocence not here pertinent. However, the court does not read section 504(c)(1) to preclude a court, in fixing statutory damages between \$250 and \$10,000, to treat some or all of any sum fixed in excess of \$250 as punitive damages. Significantly, clause (1) omits the caveat of the prior Act that statutory damages "shall not be regarded as a penalty."

In this case, the only actual damages to ASCAP that are disclosed in the evidence are unpaid license fees. No computation was offered in evidence as to what these would have totaled by the time of trial, March 1981. However, ASCAP's letter of July 26, 1978 to Mr. Cantagallo indicated "that if WAQI were licensed, a balance of \$1,195.88 would be owing as of July 31, 1978."

Adding defendants' payments (\$691.31 in 1977 and \$100 in 1978), which were retained by the plaintiff, to the balance of \$1,195.88, the total is \$1,987.19. Divided by 17 (17 months from March 1, 1977 through July 31, 1978), the average monthly license fees paid or due amount to \$117. Using this \$117 per month to project future due payments, on March 1, 1981, the

⁸The prior Copyright Act, 17 U.S.C. § 101(b) (1976) provided that statutory damages specified therein "shall not be regarded as a penalty."

⁹The legislative history of P.L. 553 explains with reference to Clause (2):

The basic principle underlying this provision is that the courts should be given discretion to increase statutory damages in cases of willful infringement and to lower the minimum where the infringer is innocent.

1976 USCCAN 5679, 5778.

month of trial, defendants would have owed \$3,637 or a grand total of \$4,832.88 (\$1195.88 plus \$3,637).

It is evident that actual damages of \$4,833 are less than \$9,250, the minimum statutory damages of \$250 per each of the 37 infringements. Nevertheless, plaintiff insists "simplify awarding minimum statutory damages of \$250 per infringement would hardly serve as a deterrent to Defendants who have shown such willful and tenacious obstinancy." Plaintiff thereupon requests an award of "\$5,000 per infringement." Although the plaintiff does not compute it, the award it seeks would total \$185,000. Of this amount, \$9,250 would be the minimum statutory damage. The balance of \$175,750 would represent punitive damages as this court has construed section 504(c)(1) and (2).

Defendant Quests and WAQI committed 19 ASCAP copyright infringements on June 9 and 10, 1978 and 18 ASCAP copyright infringements on May 11, 1979. These infringements occurred after the expiration of the last license (February 28, 1977) and without the consent of ASCAP or the composers. Quests had previously admitted infringement in the settlements of the Blue Seas, Twentieth Century Music, and Lerner suits. Upon this evidence and the total record. Quests' and WAQI's new infringements are found to be willful. The failure of defendant Cantagallo to prevent these infringements is also found, upon the evidence previously reviewed, to be reckless and wanton on his part and therefore willful.

However, the court determines that other relevant factors make the plaintiff's requested punitive damages confiscatory and excessive. While the court has seen no balance sheets of Quests, Inc., the evidence suggests that it must have limited net worth. On a number of occasions the evidence indicated that defendant Cantagallo had advanced his personal funds to provide funds needed by Quests, Inc. Indeed, the third lawsuit was settled for \$3,162.50 at least in part with funds advanced by defendant Cantagallo. For the 20 infringements there admitted, the Quests' payments may be figured at \$158 an infringement. Obviously, this payment did not deter further infringements.

Taking all relevant factors into consideration, it is determined and found that \$500 should be added to the minimum \$250 per infringement as punitive damages to reimburse the plaintiff for the willful conduct of the defendants. Therefore total statutory damages are fixed at \$27,750 (37 x 750).

B

Plaintiffs request attorney fees in the amount of \$52,815. Plaintiffs support their claim with an affidavit of John F. Novatney, Jr., an attorney with the law firm of Baker & Hostetler, Cleveland, Ohio. In part, his affidavit states:

A total of 688-³/₄ hours of time have been spent by Baker & Hostetler and a number of its attorneys on these cases, with attorneys' fees billed to and paid by or on behalf

of plaintiffs amounting to \$49,315, from the date the Rodgers case was filed on February 2, 1979 through March 31, 1981. Moreover, since March 31, 1981, to date, additional attorneys' fees of approximately \$3,500 have been incurred in connection with these cases.

The brief of defendant Cantagallo is directed solely to the merits of plaintiffs' claim that he is personally liable for the copyright infringements. He does not challenge the stated number of hours of plaintiffs' counsel nor the hourly rate. Computation indicates the hourly rate is approximately \$72 an hour. Despite defendant's silence on plaintiffs' application for attorney fees, plaintiffs' entitlement to attorney fees will be examined.

[7, 8] The copyright infringement occurred after January 1, 1978. Therefore, 17 U.S.C. § 505 (October 19, 1976) applies. This section reads:

In any civil action under this Title, the court in its discretion may allow the recovery of full costs by or against any party other than the United States or an officer thereof. Except as otherwise provided by this Title, the court may also award a reasonable attorney's fee to the prevailing party as a part of the costs.¹⁰

Section 505 includes the qualification, "the court in its discretion." The importance of these words is emphasized in the notes of Committee on the Judiciary, House Report No. 94-1476, 1976 USCCAN 5659, 5779. The notes state:

Under section 505 the awarding of costs and attorney's fees are left to the court's discretion, and the section also makes clear that neither costs nor attorney's fees can be awarded to or against "the United States or an officer thereof."

[9] Since attorney's fees may be awarded to a prevailing party only in the exercise of the court's discretion, it is evident that the prevailing party is not always entitled to such an award, see n.12. *infra*. Awarding attorney fees under the predecessor provision in the prior Copyright Act (17 U.S.C. § 116)¹¹ was "discretionary with the court", *Orgel v. Clark Boardman Co.*, 301 F.2d 119, 122, 133 USPQ 94, 96 (2d Cir. 1962).¹² Indeed, the pro-

¹⁰The qualification "except as otherwise provided by this Title," is deemed to refer to the preceding sentence which precludes the awarding of attorney fees to or against the United States or an officer thereof.

¹¹17 U.S.C. § 116(1976) provided:

In all actions, suits, or proceedings under this Title, except when brought by or against the United States or any officer thereof, full costs shall be allowed, and the court may award to the prevailing party a reasonable attorney's fee as part of the costs.

¹²Orgel went on to say:

Since such a provision for attorney's fees is at variance with the usual practice in litigation before our courts, however, it has been sparingly used, and amounts awarded modest. The court is referring to the "American Rule," in which "the prevailing litigant is ordinarily not entitled to collect a reasonable attorneys' fee from the loser." *Alyeska Pipeline Co. v.*

vision was there said to be “sparingly used, and amounts awarded modest.” In view of the substantial identity of present section 505 and prior section 116 and the absence of any expressed legislative intention to alter or overturn judicial interpretation of the preceding provision, it is relevant to look to such judicial interpretation. Box [sic] Scaggs Music, decided after enactment of the new Act, awarded attorneys’ fees under section 116 in an action concerning intentional copyright infringements which had occurred prior to the effective date of the new Act. Nothing that the award of full costs is mandatory, Judge Blumenfeld observed:

The award of reasonable attorneys’ fees in a copyright action, however, lies within the sound discretion of the court. *Orgel v. Clark Boardman Co.*, 301 F.2d 119, 122, 133 USPQ 94, 96 (and Cir. 1962).

Id. at 915.

Judge Blumenfeld then sought to synthesize prior decisions:

Some of the considerations that might justify the *denial* of fees include the presence of a complex or a novel issue of law that the defendants litigate vigorously and in good faith, *Official Aviation Guide Company v. American Aviation Ass’n*, 162 F.2d 541, 543, 74 USPQ 45, 46 (7th Cir. 1947); the defendants’ status as innocent, rather than wilful or knowing, infringers, see *Samet & Wells, Inc. v. Shalom Toy Co.*, 429 F.Supp. 895, 904, 195 USPQ 40, 47-48 (E.D.N.Y. 1977), *aff’d mem.*, 578 F.2d 1369 (2nd Cir. 1978); bad faith on the plaintiffs’ part in prosecuting the action, see *Leo Feist, Inc. v. Apollo Records, N.Y. Corp.*, 300 F.Supp. 32, 43, 163 USPQ 24, 32-33 (S.D.N.Y.). *aff’d*, 418 F.2d 1249, 164 USPQ 481 (2d Cir. 1969) . . . or a good faith attempt by the defendants to avoid infringement, *Shapiro, Bernstein & Co. v. Veltin*, 47 F.Supp. 648, 650, 55 USPQ 335, 336 (W.D.La.1942).

Id.

Judge Blumenfeld does not intimate that his guidelines are intended to list all the considerations upon which attorneys’ fees might be denied under the exercise of the court’s discretion. Nor does he indicate that, in the exercise of discretion, a court may not allow less than the total fees requested because of mitigating circumstances in a particular case. Hence it does not end the matter for plaintiff to refer to Judge Blumenfeld’s considerations justifying the denial of attorney’s fees in a case of copyright in-

Wilderness Society, 421 U.S. 240, 247 (1975). The Court recognized that the anti-trust laws make the “allowance of attorneys’ fees to a plaintiff awarded treble damages * * * mandatory,” *id.* at 261, but that “in patent litigation, in contrast, the court in *exceptional* cases *may* award reasonable attorney fees to the prevailing party.” Perhaps the absence of the qualification “the court in its discretion” from 17 U.S.C. § 116, the predecessor attorney fee provision of the prior Copyright Act, explains the omission of this section from the “statutory examples of discretion in awarding attorneys’ fees” included in n.35 of *Alyeska*. But, as seen, *Orgel* held that attorneys’ fees under section 116 are “discretionary with the court.”

fringement and then to state, "none of those justifications are present in the instant case."

The court has determined that defendant Cantagallo is personally liable for the intentional infringements committed by Quests, Inc. and WAQI. Yet it is concluded that defendant Cantagallo contested the issue of his personal liability in good faith. While the legal principles which govern personal liability of a contributory or vicarious copyright infringer are not in dispute, it is evident that the application of these principles to this particular case were factually disputed.

[10] This court cannot say that defendant Cantagallo, without a trial, was required to admit personal liability. Obviously the number of hours spent by plaintiffs' counsel in prosecuting these consolidated cases have been increased because defendant Cantagallo has resisted plaintiffs' claim that he was personally liable. Nevertheless, since it is held that he acted in good faith in defending the claim of personal liability, this fact must be considered in awarding attorney fees.

There are other relevant factors. It has been determined that defendant Cantagallo had a financial interest in the infringing activities, but there is no showing in the record that he has financially benefited from the infringing activities of Quests, Inc. and WAQI. As to the station's financial condition, the evidence shows, as previously found, that more than once he has contributed money into Quests' bank account so that it could pay its bills.

Considering all relevant factors upon the entire record, in the exercise of this court's discretion, it is concluded and determined that as a "reasonable attorney's fee to the prevailing party," the defendants shall pay 50 percent of the attorney fees which the plaintiff has paid or is obligated to pay to plaintiffs' counsel.

In sum, the court awards to the plaintiffs and against the defendant statutory damages in the amount of \$27,750 and \$26,400 towards plaintiff's attorney fees for a total amount of \$54,150.

IT IS SO ORDERED.

Kingsley Rogers **ROTARDIER**, Plaintiff, v. The **ENTERTAINMENT
COMPANY MUSIC GROUP**, et al., Defendants

80 Civ. 2753 (KTD)

(United States District Court, S. D. New York — June 22, 1981)

518 F.Supp. 919. 215 USPQ 1078

Author of musical composition brought action claiming that music companies infringed copyright on the composition. The District Court, Kevin Thomas Duffy, J., held that since claim by author was to establish valid title to copyright of composition by attempting to show noncompliance with contract, determination of the issue was dependent upon principles of common law in equity, not federal copyright law, and therefore District Court was without subject-matter jurisdiction to resolve the claim.

Complaint dismissed.

1. Federal Courts

In order to determine whether an action arises under a federal copyright law, the complaint must be for a remedy expressly granted by the Federal Copyright Act, for example, a suit for infringement or for statutory royalties for record reproduction, must assert a claim requiring construction of that Act, or, at the very least must present a case where a distinctive policy of the Act requires that federal principles control the disposition of the claim. 28 U.S.C.A. § 1338(a).

2. Federal Courts

Mere fact that a controversy involves a copyright does not give rise to federal jurisdiction.

3. Federal Courts

Where a claim by author of musical composition was to establish valid title to copyright of the composition by attempting to show noncompliance with a contract, the determination of the issue was dependent upon principles of common law in equity, not federal copyright law, and therefore District Court was without subject-matter jurisdiction to resolve the claim. 28 U.S.C.A. § 1338(a).

Kingsley Rogers Rotardier, plaintiff pro se.

Rosenblum & Freedman, New York City, for defendant The Entertainment Company Music Group; Martin Bandier, New York City, and Jeffrey L. Ziviyak, New York City, of counsel.

MEMORANDUM & ORDER

KEVIN THOMAS DUFFY, *District Judge*. Plaintiff brings this action claiming that the defendants have infringed the copyright to plaintiff's musical composition, "Live, Laugh and Love." Plaintiff asks this court to enjoin defendant from any further commercial exploitation of this composition and to grant it declaratory and compensatory relief. Plaintiff now moves for summary judgment.

Defendant Entertainment Company Music Group¹ cross-moves to dismiss the complaint for lack of subject matter jurisdiction. It claims that the fundamental controversy involves a breach of contract claim which invokes state court jurisdiction where, as here, there is no diversity of citizenship.

I.

Plaintiff is the composer of the musical score, "Every Kid You See On The Street Ain't Bad," which includes the subject matter of this controversy, the composition, "Live, Laugh and Love." On December 16, 1971, plaintiff assigned the copyrights for this score to Godspell Music Corp. ["Godspell"]. Godspell reassigned the copyrights to plaintiff on August 29, 1972.

The present dispute arises from an agreement executed that same day between plaintiff and Godspell. The contract provided that Godspell would retain the copyright to the composition, "Live, Laugh and Love" with a condition to reassign that copyright to plaintiff if Godspell did "not cause a commercial recording [of "Live, Laugh and Love"] to be released or printed music in any form to be placed on sale . . ." within one year from September 1, 1972.

In July, 1974, plaintiff discovered that his composition had been publicly performed. Plaintiff acknowledged in his complaint that Godspell registered an arrangement of his composition with the Copyright office on July 19, 1973, and that the composition was in fact published within the requisite time period.² While such publication satisfies the one year time limit provided in the contract, plaintiff claims that Godspell was unauthorized under the contract to publish the composition without his consent. Accordingly, plaintiff asserts that the condition of commercial exploitation was not satisfied as of September 1, 1973 (one year from the date of the agreement); that the copyright therefore automatically reverted to plaintiff; and that all subsequent exploitation of the composition infringed upon his exclusive ownership of this copyright.

Defendant Entertainment Company Music Group succeeded to the interests of Godspell Music Corp. on December 1, 1975. Defendant asserts that printing and placing the composition on sale before the year expired satisfied the condition set forth in the contract; that the Entertainment Company Music Group therefore owns the copyright to the composition; and that plaintiff's claim of copyright infringement has no basis.

¹There are other defendants named in the complaint but apparently they have neither been served nor have they appeared.

²Plaintiff, however, denies that publication of his composition was made in his motion for summary judgment.

II.

The prerequisites to federal jurisdiction in copyright cases are set forth in section 1338(a) of Title 28 which provides:

The district courts shall have original jurisdiction of any civil action *arising under* any Act of Congress relating to patents, . . . [and] copyrights . . . Such jurisdiction shall be exclusive of the courts of the states . . .”

28 U.S.C. § 1338(a) (emphasis added).

[1] In order to determine whether an action arises under a federal copyright law, the complaint must be:

. . . for a remedy expressly granted by the Act, e. g., a suit for infringement or for the statutory royalties for record reproduction, . . . or asserts a claim requiring construction of the Act, . . . , or, at the very least and perhaps more doubtfully, presents a case where a distinctive policy of the Act requires that federal principles control the disposition of the claim.

T. B. Harms v. Eliscu, 339 F.2d 823, 828 (2d Cir. 1964), *cert. denied*, 381 U.S. 915, 85 S.Ct. 1534, 14 L.Ed.2d 435 (1965).

The principal issue in this action is who owns title to the copyright of the composition, “Live, Laugh and Love.” There is no provision in the contract that in the event of nonfulfillment of the condition, the copyright shall automatically revert to plaintiff. The controversy, therefore, ultimately depends upon whether there is a right to automatic reversion, and if so, whether there has been noncompliance with the contract to warrant reversion or reassignment. *See, e.g., Stepdesign, Inc. v. Research Media, Inc.*, 442 F.Supp. 32 (S.D.N.Y.1977).

The facts in *Muse v. Mellon*, 212 F.Supp. 315 (S.D.N.Y.1962), *aff’d*, 339 F.2d 888 (2d Cir. 1964), are similar to the present action. In *Muse*, the court held that the federal court lacks jurisdiction in an action where the plaintiff would first have to establish title to the copyright before he could claim any relief for infringement. *See also, Elan Associates, Ltd. v. Quackenbush Music, Ltd.*, 339 F.Supp 461 (S.D.N.Y.1972); *Stepdesign, Inc. v. Research Media, Inc.*, 442 F.Supp. 32 (S.D.N.Y.1977); *T. B. Harms Co. v. Eliscu, supra*.

Similarly, cases involving contracts covering the ownership of patent rights have been found not to arise under federal patent laws. In *Luckett v. Delpark*, 270 U.S. 496 S.Ct. 397, 70 L.Ed. 703 (1926), the Supreme Court stated,

It is a general rule that a suit by a patentee for royalties or for any remedy in respect of a contract permitting use of the patent, is not a suit under the patent laws of the United States, and cannot be maintained in a federal court as such.

[2, 3] Essentially, the claim in the instant case is to establish valid title to a copyright by attempting to show noncompliance with a contract. The mere fact that the controversy involves a copyright does not give rise to federal jurisdiction. *Muse v. Mellon, supra*, at 316. Nor can plaintiff invoke federal jurisdiction by casting the claim in terms of copyright infringement. The controlling issue involves a dispute over title to a copyright arising from an alleged breach of contract. The determination of this issue is dependent upon principles of common law and equity, not the federal copyright laws. A finding of copyright infringement would be incidental to the main purpose of this suit. *Stepdesign, Inc. v. Research Media, Inc.*, 442 F.Supp. 32 (S.D.N.Y.1977). The claim should be resolved instead in the appropriate state court.

Accordingly, I find that this court lacks subject matter jurisdiction in this matter because the action does not arise under a federal copyright law and DISMISS the complaint in this case.

SO ORDERED.

Isaac Michael RUBIN, Plaintiff, Appellee, v. BOSTON MAGAZINE COMPANY and D. Herbert Lipson, Defendants, Appellants

No. 80-1549

(United States Court of Appeals, First Circuit—Argued January 8, 1981—
Decided March 26, 1981)

645 F.2d 80. 209 USPQ 1073

Defendants appealed from the United States District Court, District of Massachusetts, Andrew A. Caffrey, Chief Judge, which entered judgment in favor of plaintiff in a nonjury copyright case. The Court of Appeals, First Circuit, Wyzanski, Senior District Judge, sitting by designation, held that: (1) love and liking scales, which consisted of 26 questions based upon plaintiff's theory that the essential components of a love relationship are "affiliative and dependent need," "predisposition to help" and "exclusiveness and absorption," were subject to copyright on ground that they were an original form of expression, and (2) where defendants did not use copyrighted scales for purposes such as criticism, comment, news reporting, teaching, scholarship or research, defendant's claim that their purpose was to acquaint community with research was belied by format and contents of their alleged infringing publication, it was irrefutably shown that the copyrighted material was used as a quiz to entertain readers of a magazine of general circulation, scales which the defendants copied were an essential part of the copyrighted dissertation, and the defendant's use of the plaintiff's copyrighted material clearly affected the plaintiff's potential market for the scales,

district court did not err in concluding that the defendants had not borne burden of showing that they had made only a fair use of the plaintiff's copyrighted material.

Affirmed.

1. Copyrights and Intellectual Property

Under current and former copyright laws, there is no copyright protection for an idea, concept, principle or discovery, but there may be a valid copyright on an original form of expression of an idea, concept, or discovery. 17 U.S.C.A. § 102(b); 17 U.S.C. (1970 Ed.) § 1 et seq.

2. Copyrights and Intellectual Property

In copyright law, a "discovery" refers primarily to the disclosure of a hitherto unknown fact, principle, or theory.

See publication Words and Phrases for other judicial constructions and definitions.

3. Copyrights and Intellectual Property

Love and liking scales, which consisted of 26 questions based upon plaintiff's theory that the essential components of a love relationship are "affiliative and dependent need," "predisposition to help" and "exclusiveness and absorption," were not a "discovery" within the meaning of copyright law, in that the text of the scales made it plain that they did not disclose any fact, principle or theory but, rather, scales were subject to copyright on ground that they were an original form of expression. 17 U.S.C.A. § 102(b).

4. Copyrights and Intellectual Property

Love and liking scales, which consisted of 26 questions based upon plaintiff's theory that the essential components of a love relationship are "affiliative and dependent need," "predisposition to help" and "exclusiveness and absorption," were copyrightable even though scales were in the form of questions, in that Copyright Act permits copyright for all writings of an author, and Constitution gives power to Congress to secure to authors the exclusive right to their respective "writings." 17 U.S.C. (1970 Ed.) § 4; U.S.C.A.Const. Art. 1, § 8, cl. 8.

5. Copyrights and Intellectual Property

Love and liking scales, which consisted of 26 questions based upon plaintiff's theory that the essential components of a love relationship are "affiliative and dependent need," "predisposition to help" and "exclusiveness and absorption," were not uncopyrightable because to give copyright protection to scales would give plaintiff a monopoly of theory on which scales were based, in that there were an infinite number of ways of stating plaintiff's theory and an infinite number of questions which could be asked in order to find out whether two persons have characteristics to which theory refers.

6. Copyrights and Intellectual Property

"Fair use" is a privilege in other than the owner of a copyright to use copyrighted material in a reasonable manner without his consent, notwithstanding the monopoly granted to owner.

See publication Words and Phrases for other judicial constructions and definitions.

7. Copyrights and Intellectual Property

Where defendants did not use copyrighted love and liking scales for purposes such as criticism, comment, news reporting, teaching, scholarship or research, defendant's claim that their purpose was to acquaint community with research was belied by format and contents of

their alleged infringing publication, it was irrefutably shown that copyrighted material was used as a quiz to entertain readers of a magazine of general circulation, scales which defendants copied were an essential part of a copyrighted dissertation, and defendant's use of the plaintiff's copyrighted material clearly affected plaintiff's potential market for the scales, district court did not err in concluding that defendants had not borne burden of showing that they made only a fair use of the copyrighted material. 17 U.S.C.A. §§ 102(b), 107.

8. Copyrights and Intellectual Property

Scientific material has limited copyright protection only when used for scientific, scholarly, news reporting or like purposes, not when used solely for commercial gain.

Joseph D. Steinfield, Boston, Mass., with whom Gilbert B. Kaplan and Hill & Barlow, Boston, Mass., were on brief, for defendants, appellants.

Jeffrey F. Jones, Boston, Mass., with whom Eric F. Menoyo, and Palmer & Dodge, Boston, Mass., were on brief, for plaintiff, appellee.

Before CAMPBELL and BREYER, Circuit Judges, and WYZANSKI, Senior District Judge.*

WYZANSKI, *Senior District Judge*. This is an appeal from a judgment for plaintiff in a non-jury copyright case in which none of the primary facts is disputed.

The plaintiff, Isaac Michael Rubin, now a professor of social psychology at Brandeis University, in 1969 submitted in partial fulfillment of the University of Michigan requirements for the degree of doctor of philosophy a dissertation entitled "The Social Psychology of Romantic Love" for which on May 4, 1970 he secured Copyright No. 146094. The dissertation purports to establish and validate a so-called "construct of romantic love" to be used in research by psychologists concerned with social relationships. The dissertation is based upon the theory that the three critical components of a relationship of love are "affiliative and dependent need," "predisposition to help" and "exclusiveness and absorption." The dissertation sets forth at pages 44-45 a "love scale" and "liking scale" which consist of 26 questions designed to elicit one's feeling about another.

Dr. Rubin used *verbatim* his scales in his article "Measurement of Romantic Love" appearing in the October 1970 issue of *Journal of Personality and Social Psychology*. The American Psychological Association, Inc. on November 2, 1970 secured copyright No. B624309 on that issue, and on March 20, 1970 assigned to Dr. Rubin so much of that copyright as covered his article. Dr. Rubin again used *verbatim* his scales in a scholarly book entitled *Liking and Loving: An Invitation to Social Psychology*. The publisher Holt, Rinehart and Winston, on October 8, 1974, secured on that book copyright No. A 582977 which on March 27, 1978 it assigned to Dr. Rubin.

* Of the District of Massachusetts, sitting by designation.

On February 14, 1975 *Reader's Digest* sought Dr. Rubin's permission to use his scales in one of its articles, and promised to "pay you well if it comes off." But Dr. Rubin declined to give such permission.

The defendant Boston Magazine Company is the owner of, and the defendant D. Herbert Lipson is the publisher of, a magazine called *Boston*. The August 1977 issue of *Boston* has an article having as its main title "OOO-OOO-WAH OOO-OOO-WAH WHY DO FOOLS FALL IN LOVE?" The cover of the magazine features the article under the headline "How's Your Love Life?" and the sub-caption "Who Turns You On and Why? Science may have the answer." The body of the article refers to scholarly publications of many psychologists and sociologists, including Dr. Rubin, and sets forth *verbatim* Dr. Rubin's scales in a large box entitled "The Test of Love. How to Tell If It's Really Real."

The author of the *Boston* article admitted that he copied the scales from either Dr. Rubin's article in the October 1970 *Journal of Personality and Social Psychology* or his book *Liking and Loving: An Invitation to Social Psychology*.

Upon the basis of the foregoing evidence the district judge in a brief statement from the bench found that the defendant Boston Magazine Company copied "from at least two of Dr. Rubin's copyrighted articles" and that this "was done in a purely commercial, hopefully money-making, non-scientific way" and was not "intended to acquaint the Greater Boston reading public with the level of psychological and scientific research in the community." The district court award the plaintiff \$5,000 damages and a \$2,500 attorney's fee, and entered judgment for the plaintiff¹ for those amounts.

It is agreed that because the claimed infringements occurred in 1977 this case, in accordance with § 112 of the Copyright Act of October 19, 1976, 90 Stat. 2541, 2600, is governed by the 1909 Copyright Act, Act of March 4, 1909, 35 Stat. 1075 *et seq.*, formerly 17 U.S.C. § 1 *et. seq.*, *Iowa State University Research Foundation Inc. v. American Broadcasting Companies, Inc.*, 621 F.2d 57, 60 n.5 (2d Cir. 1980).

The first argument presented to us by defendants is that the scales are not copyrightable because they are a scientific discovery.

[1] Under the Copyright Act of 1909, as under earlier copyright law and indeed as under § 102(b) of the Copyright Act of 1976, 17 U.S.C. § 102(b), there is no copyright protection for an idea, concept, principle or

¹The record does not show any findings with respect to defendant Lipson. Nor does the main text of the judgment indicate from whom the plaintiff is entitled to recover. However, the heading of the judgment refers to Boston Magazine, Inc. [sic] and D. Herbert Lipson. Inasmuch as all parties have treated the individual Lipson as jointly responsible with Boston Magazine Company for the August 1977 issue of *Boston*, we, in accordance with the implied assumptions in all of the briefs and oral arguments, shall construe the district court's findings as applicable to both defendants, and its judgment as binding both defendants.

discovery. *Mazer v. Stein*, 347 U.S. 201, 217-218, 74 S.Ct. 460, 470, 98 L.Ed. 630 (1954); *Baker v. Selden*, 101 U.S. 99, 102-103, 25 L.Ed. 841 (1879); *Morrissey v. Procter & Gamble Co.*, 379 F.2d 675, 678-679 (1st Cir. 1967). See 1 Nimmer on Copyright (1980) § 2.03[D]. But there may be a valid copyright on an original form of expression of an idea, concept, or discovery. *Ibid.*

[2, 3] The basis of the defendants' contention that the scales are a discovery is the claim made by Dr. Rubin in his article in the *Journal of Personal and Social Psychology*, is his book *Liking and Loving*, and in his testimony in the trial court that his scales are a scientifically valid method of determining whether two persons are in love. But whatever may be the contribution of the scales to the behavioral sciences, they are certainly not a "discovery" as that term is used in copyright law. In copyright law a "discovery" refers primarily to the disclosure of a hitherto unknown fact, principle, or theory. See 1 Nimmer on Copyright (1980) § 2.03[E]. The text of the scales makes it plain that they do not disclose any fact, principle or theory.

The scales are nothing but 26 questions which, on the basis of his theory that the essential components of a love relationship are "affiliative and dependent need," "pre-disposition to help" and "exclusiveness and absorption," Dr. Rubin with some degree of originality phrased and organized into two tables. Dr. Rubin does not claim copyright protection for his theory as to the essential components of love. What he claims is copyrightable are the scales setting forth questions based upon that theory. The scales are subject to copyright on the ground that they are an original form of expression. They have at least as much originality as other writings which have been thought subject to copyright. *Alfred Bell & Co. v. Catalda Fine Arts, Inc.*, 191 F.2d 99 (2d Cir. 1951), 1 Nimmer on Copyright (1980) § 2.01[B].

[4] It is of no significance that the scales are in the form of questions. United States Constitution Article I § 8, ch. 8 gives Congress power to secure to authors the exclusive right to their respective "writings," and § 4 of the Copyright Act of 1909, formerly 17 U.S.C § 4 permits copyright for "all the writings of an author." Since the term "writings," as used in the Constitution and in the statute, is intended to be read expansively, *International News Service v. Associated Press*, 248 U.S. 215, 234, 39 S.Ct. 68, 63 L.Ed. 211 (1918), *Deutsch v. Arnold*, 98 F.2d 686, 688 (2d Cir. 1938), the term covers sets of questions as well as other forms of expression.

[5] Nor are the scales uncopyrightable because to give copyright protection to the scales will give Dr. Rubin a monopoly of the theory on which the scales are based. There are an infinite number of ways of stating Dr. Rubin's theory and an infinite number of questions which may be asked in order to find out whether two persons have the characteristics to which the theory refers.

The defendants' next principal contention is that even if the scales are a copyrightable component of the plaintiff's dissertation, nonetheless the defendants are not infringers because they made only a "fair use" of the plaintiff's copyrighted dissertation.

[6] The doctrine of fair use had its origin in the opinion of Mr. Justice Story in *Folsom v. Marsh*, No. 4,901, 9 F.Cas. 342 (C.C.D.Mass.1841). "Fair use" is a "privilege in others than the owner of a copyright to use copyrighted material in a reasonable manner without his consent, notwithstanding the monopoly granted to the owner." Ball, *The Law of Copyright and Literary Property* (1944) 260 quoted in *Rosemont Enterprises, Inc. v. Random House, Inc.*, 366 F.2d 303, 306 (2d Cir. 1966) *cert. den.* 385 U.S. 1009, 87 S.Ct. 714, 17 L.Ed.2d 546 (1967) and in *Triangle Publications, Inc. v. Knight-Ridder Newspapers, Inc.*, 626 F.2d 1171, 1174 (5th Cir. 1980). "The fundamental justification for the privilege lies in the constitutional purpose in granting copyright protection in the first instance, to wit 'To Promote the Progress of Science and the Useful Arts.' U.S.Const. art. 1 § 8." *Rosemont Enterprises, Inc. v. Random House, Inc. supra*, 307. In *Iowa State University Research Foundation, Inc. v. American Broadcasting Co.*, 621 F.2d 57, 60, (2d Cir. 1980) Chief Judge Kaufman stated:

The doctrine of fair use, originally created and articulated in case law, permits courts to avoid rigid application of the copyright statute when, on occasion, it would stifle the very creativity which that law is designed to foster. The cases emphasize that resolution of a fair use claim "depends on an examination of the facts in each case [and] cannot be determined by resort to any arbitrary rules or fixed criteria." *Meeropol v. Nizer*, 560 F.2d 1061, 1068 (2d Cir. 1977), *cert. denied*, 434 U.S. 1013, 98 S.Ct. 727, 54 L.Ed.2d 756 (1978). Evolution of the doctrine in these cases, however, suggests four commonly recognized factors that have traditionally been consulted in fair use cases: ⁵ (1) the purpose and character of the use; (2) the nature of the copyrighted work; (3) the amount and substantiality of material used in relation to the copyrighted work as a whole; and (4) the effect of the use on the copyright holder's potential market for the work. See 3 Nummer on Copyright §13.05[A] (1979); 17 U.S.C. § 107 . . .

⁵The four "fair use" factors are now codified in U.S.C. § 107 of the 1976 Copyright Act. The new statute, however, does not govern the instant case. . . .

With reference to the guiding but not controlling factors listed in the *Iowa State University Research Foundation* case now incorporated in § 107 of the 1976 Act, we make the following observations.

[7] The defendants did not use the copyrighted scales "for purposes such as criticism, comment, news reporting, teaching . . . scholarship or research." See § 107 of Copyright Act of 1976, 17 U.S.C. § 107. The defendants' claim that their purpose "was to acquaint the community with research" is belied by the format and the contents of the alleged infringing publication. They irrefutably showed that the copyrighted material was used as a quiz to entertain readers of a magazine of general circulation.

Plainly, the district judge correctly concluded that the defendants' use of the plaintiff's copyright was "of a commercial nature."

[8] Dr. Rubin's scales were part of a dissertation prepared as a result of extensive research and expenditure of time, pursuant to a grant to Dr. Rubin from the National Institute of Mental Health, a part of the former Department of Health, Welfare, and Education. The defendants seek to justify their use of the copyrighted material on the ground that, as disclosed in 45 CFR § 8(b), HEW had a policy that "the results of research supported by grants of public monies should be utilized in the manner which would best serve the public interest." That policy has been achieved here by making freely available to the public any theories disclosed in Dr. Rubin's dissertation. There is nothing in HEW's policy indicating that Dr. Rubin's form of expressing those theories or his questionnaires based on those theories should be made freely available. The defendants also seek to justify their use of the copyrighted material on the ground that as a scientific writing it is, under the doctrine of *Sampson & Murdock Co. v. Seaver-Radford Company*, 140 Fed. 539, 541 (1st Cir. 1905), entitled only to limited protection. However, that doctrine refers only to the limited protection of scientific material when used for scientific, scholarly, news reporting or like purposes; not when used solely for commercial gain. *Loew's Inc. v. Columbia Broadcasting System*, 131 F.Supp. 165, 175 (S.D.Cal.1955), *aff'd sub nom. Benny v. Loew's Inc.*, 239 F.2d 532 (9th Cir. 1956), *aff'd* 356 U.S. 43, 78 S.Ct. 667, 2 L.Ed.2d 583 (1958).

The scales which the defendants copied were an essential part of the copyrighted dissertation. They stated in interrogative form an analysis based on the theory set forth in the dissertation. *Cf. Wainwright Securities Inc. v. Wall Street Transcript Corp.*, 558 F.2d 91, 96 (1977), *cert. denied* 434 U.S. 1014, 98 S.Ct. 730, 54 L.Ed.2d 759 (1978). In the words of *Meredith Corp. v. Harper & Row Publishers, Inc.*, 378 F.Supp. 686, 690, n.12 (S.D.N.Y.1974), the scales were "of critical importance to the work as a whole and taken by the infringer in order to save the time and expense incurred by the copyright owner."

The defendants' use of the plaintiff's copyrighted material clearly affected the plaintiff's potential market for the scales. Before defendants had used the scales, *Reader's Digest* had shown an interest in paying the plaintiff for a license to use them. It may reasonably be inferred that after defendants' use, *Reader's Digest* and other publishers would be less inclined to pay the plaintiff for use of his material in a popular magazine.

In short, the district court did not err in concluding that the defendants had not borne the burden of showing that they made only a fair use of the plaintiff's copyrighted material.

Finally, the district court's award of attorney's fees did not involve any error of discretion. *F. W. Woolworth Co. v. Contemporary Arts Inc.*, 193

F.2d 162, 167 (1st Cir. 1951), aff'd 344 U.S. 228, 73 S.Ct. 222, 97 L.Ed. 276 (1952).

AFFIRMED.

Richard **RUSKIN**, Plaintiff, v. **SUNRISE MANAGEMENT, INC.**, a Colorado Corporation, d/b/a Sunrise Mobile/Modular Housing; Owen Advertising, Inc., a Colorado Corporation, d/b/a Studio 40 Productions, d/b/a Glen Owen Advertising, Inc., and John Does I through X, inclusive, Defendants

Civ. A. No. 79-K-709

(United States District Court, D. Colorado—January 29, 1981)

506 F.Supp. 1284. 212 USPQ 475

Action was brought to recover for alleged copyright infringement of sound recording tape. Defendants moved for summary judgement. The District Court, Kane J., held that: (1) limited publication of the recording without required statutory copyright notice and prior to obtaining copyright did not place the work in the public domain where records were not issued for sale or general distribution but only for promotional purposes; (2) plaintiff was entitled to amend to reflect recording of assignment of copyright; and (3) material fact issue existed whether defendants were innocent infringers, precluding summary judgement.

Motion denied.

1. Copyrights and Intellectual Property

General publication without restriction of a copyrightable work with the consent of the creator or proprietor places the work in the public domain, with "general publication" being such dissemination of the work itself among the public as justifies the belief that it has been dedicated to the public and rendered common property. 17 U.S.C.A. §§ 101 et seq., 103.

See publication Words and Phrases for other judicial constructions and definitions.

2. Copyrights and Intellectual Property

A limited or qualified publication of a work will not prohibit later copyrighting nor will a publication or showing of the work with only the right to view or inspect it without more constitute a "general publication." 17 U.S.C.A. §§ 101 et seq., 103.

3. Copyrights and Intellectual Property

Limited publication to a select group for a limited purpose, and without the right to reproduce, distribute, or sell a work is not a "general publication" precluding copyrighting, nor is an exhibition or showing of a work to get a reaction or opinion. 17 U.S.C.A. §§ 101 et seq., 103.

4. Copyrights

Printing of master recording of song without statutory copyright notice and prior to obtaining copyright did not place the work in the public domain precluding subsequent copyrighting where such printing was of a small number of records and was inadvertent and a mistake and records were not distributed for sale or general distribution but only for promotional purposes and copies were sent to radio stations as promotional material for exhibition only and not resale, commercial use or general publication and defendant advertising agency received record album for promotional purposes. 17 U.S.C.A. §§ 101 et seq., 193.

5. Copyrights and Intellectual Property

Recordation of a document of transfer of copyright is a jurisdictional prerequisite to institution of an infringement action. 17 U.S.C.A. § 205(d).

6. Copyrights and Intellectual Property

Although as of date of certified search report no recordation of transfer to plaintiff of copyright to pursue infringement claims against two defendants existed, amendment to reflect subsequent submission of revised assignment docket for recordation was proper as diversity jurisdiction would have been retained over common-law claims, on amendment the copyright claim would relate back, for statute of limitation purposes, to original filing date and dismissal of copyright would have resulted only in dismissal without prejudice. 17 U.S.C.A. § 205(d).

7. Copyrights and Intellectual Property

Underlying postulate of provision of Copyright Act governing innocent infringement is that one acting with a good-faith assumption that a work is in the public domain and is not copyrightable should be shielded from unreasonable liability. 17 U.S.C.A. §§ 405(b), 405 note, 504.

8. Copyrights and Intellectual Property

Statutory immunity of an innocent infringer from copyright liability ends on actual notification of copyright registration. 17 U.S.C.A. §§ 405(b), 405 note, 504.

9. Federal Civil Procedure

One moving for summary judgment must show entitlement to summary disposition beyond all reasonable doubt. Fed. Rules Civ.Proc. Rule 56, 28 U.S.C.A.

10. Copyrights and Intellectual Property

Material fact issues existed whether defendants, claiming innocent infringement, were misled by omission of copyright notice from sound recording to reasonably believe the album was in public domain and whether they in good faith relied on their beliefs in using the recording for commercial advertising purposes, precluding summary judgment. 17 U.S.C.A. § 405(b); Fed. Rules Civ.Proc. Rule 56, 28 U.S.C.A.

11. Federal Civil Procedure

Summary judgment is particularly inappropriate where questions of motive and intent are at issue. Fed. Rules Civ.Proc. Rule 56, 28 U.S.C.A.

James G. Benjamin, Towey & Zak, Denver, Colo., for plaintiff.
Theodore H. Merriam, Denver, Colo., for Sunrise.
David C. Deuben, Lakewood, Colo., for Glen Owen.

ORDER

KANE, *District Judge*. Defendant Glen Owen Advertising, Inc., filed a motion for summary judgment in this copyright infringement action on December 13, 1979. Defendant Sunrise Management, Inc., joined in the motion on January 10, 1980. According to the complaint in this action, plaintiff Richard Ruskin is a musician and the sound recording performer of the song entitled "Here Comes The Sun," written by George Harrison, on Takoma Records, Catalog Number C-1039. Ruskin alleges he is the assignee of Copyright Number SR 11-534 which gives him the exclusive right to public performance of the sound recording of the song. He alleges in his complaint that defendants violated or infringed upon his copyright by publicly performing and broadcasting the song on the radio and in television advertisements. He also asserts common law claims of misappropriation of talent without his knowledge or consent, and breach of contract. Jurisdiction is appropriate pursuant to 28 U.S.C. § 1338(a).

Defendants move for summary judgement on four grounds:¹ Ruskin, or Takoma Records, forfeited statutory copyright protection by publishing sound recording C-1039 without the required statutory copyright notice prior to obtaining the copyright; Ruskin is not entitled to institute an infringement action as an assignee because the instrument of assignment has not been recorded in the United States Copyright Office as required by 17 U.S.C. § 205(d); the conditioned assignment contains no transfer of copyright to pursue a claim against Owen Advertising for infringement, but only against Sunrise Management; and the defendants incur no liability for actual or statutory damages under 17 U.S.C. § 504 because any infringement, if it occurred, was an innocent infringement and excepted by 17 U.S.C. § 405(b). Having given careful consideration to each of these grounds, I find that summary judgement is inappropriate.

COPYRIGHT NOTICE

During the period of at least May 1, 1978 to August 31, 1978, Owen Advertising represented Sunrise Management in a commercial advertising capacity. The affidavit of Glen Owen, president of Owen Advertising, states that the advertising agency receives as a matter of course record albums from local radio stations without cost to the agency for promotional and other purposes and retains the record albums in a library. He averred that the agency so received Ruskin's record on the Tacoma label, Serial Number C-1039, containing the song "Here Comes The Sun." He further averred that neither the record album itself nor the jacket contained a notice of copyright. Photographs of the record album were by all ac-

¹Defendant Sunrise Management joins in only the first, second and fourth grounds for summary judgement.

counts published on or about January 15, 1974. Defendants acknowledge that the album copies submitted to the Copyright Office on June 28, 1979, for purposes of obtaining Registration SR 11-534, contained the necessary notice. Nonetheless, defendants assert that Takoma's failure to publish the 1974 copies of the recording with the required statutory copyright notices resulted in the irrevocable forfeiture of all rights under the United States copyright laws.

The present copyright law, 17 U.S.C. § 101 *et seq.*, was enacted on October 19, 1976 and became effective on January 1, 1978. Section 103 of the enactment, Public Law 94-553, Title I, 90 Stat. 2599, entitled "Lost and Expired Copyrights; Recording Rights," provided that "[t]his Act does not provide copyright protection for any work that goes into the public domain before January 1, 1978. . . ." See note to Title 17. Tacoma applied for its copyright under the new law in June, 1979. If it placed publications of the sound recording of "Here Comes The Sun," Catalog Number C-1039, into the public domain without the copyright notice, as defendants assert, then its copyright protection should have been forfeited and the registration would be improper. I find, however, that in this motion for summary judgment Ruskin has successfully rebutted defendants assertions and thus they have failed to meet their burden of proof.

[1-3] The general publication without restriction of a copyrightable work with the consent of the creator or proprietor places the work in the public domain. *Caliga v. Inter Ocean Newspaper Co.*, 215 U.S. 182, 188, 30 S.Ct. 38, 39, 54 L.Ed. 150 (1909). *Accord Burke v. National Broadcasting Co.*, 598 F.2d 688, 691 (1st Cir. 1979), *cert. denied*, 444 U.S. 869, 100 S.Ct. 144, 62 L.Ed.2d 93 (1980); *Bell v. Combined Registry Co.*, 397 F.Supp. 1241 (N.D.Ill.1975), *aff'd*, 536 F.2d 164 (7th Cir. 1976), *cert. denied*, 429 U.S. 1001, 97 S.Ct. 530, 50 L.Ed.2d 612 (1976); *Mitchell Bros. Film Group v. Cinema Adult Theater*, 192 U.S.P.Q. 138 (N.D.Tex.1976). By definition, a general publication is such dissemination of the work itself among the public as justifies the belief that it had been dedicated to the public and rendered common property. *American Tobacco Co. v. Werckmeister*, 207 U.S. 284, 300-301, 28 S.Ct. 72, 77-78, 52 L.Ed. 208 (1907). By contrast, a limited or qualified publication of the work will not prohibit later copyrighting, *Baker v. Selden*, 101 U.S. 99, 25 L.Ed. 841 (1879), nor will a publication or showing of the work with only the right to view or inspect it without more, *American Tobacco Co. v. Werckmeister*, 207 U.S. at 300, 28 S.Ct. at 77; *Patterson v. Century Productions, Inc.*, 93 F.2d 489, 492 (2d Cir. 1937), *cert. denied*, 303 U.S. 655, 58 S.Ct. 759, 82 L.Ed. 1114 (1938). Neither situation constitutes "general publication." Likewise, a limited publication to a select group, for a limited purpose, and without the right to reproduce, distribute, or sell the work is not a general publication, *White v. Kimmell*, 193 F.2d 744, 746 (9th Cir. 1952), *cert. denied*, judgment on grounds two and three of defendants' motion must be denied.

343 U.S. 957, 72 S.Ct. 1052, 96 L.Ed. 1357 (1952); *Williams and Wilkins, Co. v. United States*, 487 F.2d 1345 (Ct.Cl.1973), nor is an exhibition or showing of a work to get a reaction or opinion, *Ferris v. Frohman*, 223 U.S. 424, 435, 32 S.Ct. 263, 266, 56 L.Ed. 492 (1912); *Key West Hand Print Fabrics, Inc. v. Serbin, Inc.*, 269 F.Supp. 605, 619 (S.D.Fla. 1966), *aff'd*, 381 F.2d 735 (5th Cir. 1967).

[4] Ruskin contends that the limited publication in 1974 of sound recording C-1039 did not present it to the public domain. According to the affidavits of Charles Mitchell, president of Takoma Records at the time of production of sound recording C-1039, and of Ruskin, the 1974 printing of the master recording without the copyright notice was of a small number and was inadvertent and a mistake. In addition, the records were not distributed for sale or for general distribution but were only for promotional purposes, the promotional copy record jackets were marked with a "promotional only" sticker or had the corner cut, and the copies of the records sent to radio stations as promotional materials were for exhibition only and not for resale, commercial use, or general publication. In Owen's affidavit he concedes that the advertising agency received the record album C-1039 published in 1974 for promotional purposes. The affidavits of Mitchell and Ruskin further aver that all record album copies distributed generally or for sale contained the copyright notice: "© 1974 Takoma Records, Inc." Photocopies of an album with the copyright notice support this assertion.

I find that Ruskin has successfully rebutted defendants' assertions that the receipt by it of the 1974 copy of C-1039 was a general publication. In *Hirshon v. United Artists Corp.*, 243 F.2d 640 (D.C.Cir.1957), the court reversed an order granting summary judgment on the issue of forfeiture of copyright, holding that the copying and distribution of 2,500 copies of a song for promotional or "plugging" purposes, but for no other use, did not vitiate the copyright. *Id.* at 645. Although a notice was affixed to the song copies in *Hirshon*, it was incorrect, naming the songwriter and not the copyright proprietor. The court indicated that in the circumstances of the limited distribution for the particular purpose of promotional activities a copyright notice was not necessary to protect the copyrightability of the song. *Id.* at 644. Defendants have failed to show that Takoma's distribution of the 1974 record album copies was general and not limited promotional distribution. Therefore, summary judgment on this issue is improper.

RECORDATION OF TRANSFER

17 U.S.C. § 205(d) of the copyright laws of the United States provides:

(d) *Recordation as Prerequisite to Infringement Suit.*—No Person claiming by virtue of a transfer to be the owner of copyright or of any exclusive right under a

copyright is entitled to institute an infringement action under this title until the instrument of transfer under which such person claims has been recorded in the Copyright Office, but suit may be instituted after such recordation on a cause of action that arose before recordation.

A certified search report dated November 30, 1979 and issued by the Copyright Office of the United States indicated that as of that date no recordation of a transfer of copyright to pursue legal claims against either Sunrise Management or Owen Advertising existed. This suit was instituted on June 14, 1979. An assignment document dated January 8, 1980 transferred from Takoma Records to Ruskin the limited right under its copyright to prosecute all claims against Sunrise Management, its subsidiaries, or any advertising agencies employed by Sunrise Management—including specifically Owen Advertising, arising out of the use of the phonograph record master or copies of “Here Comes The Sun,” Copyright Registration No. SR 11-534, Catalog No. TAK 7039.” This document “revised” an earlier assignment of claims, dated June 1, 1979, which transferred only the right to prosecute claims against Sunrise Management. Recordation of the January 8 document is averred in Ruskin’s second amended complaint dated January 26, 1981, which I granted leave to file on January 14, 1980. Proof of recordation is evidenced by Certificate of Copyright Recordation dated January 14, 1980, filed with the second amended complaint, dated January 26, 1981.

[5, 6] I recognize that under section 205(d) a suit on a cause of action that arose *before* recordation may be instituted only *after* recordation and that Ruskin filed this suit alleging infringement *before* recordation. Defendants moved for summary judgment on December 13, 1979 asserting that Ruskin failed to state a claim against defendants by failure to record, and specifically failed to state a claim against defendant Owen Advertising because the June, 1979 document was limited to defendant Sunrise Management. In his opposition to summary judgment, Ruskin attested that the revised assignment document had been submitted for recordation to the Copyright Office and he moved to amend his complaint after recordation to assert that the assignment was recorded. As indicated above, the complaint was so amended on January 26, 1981. Although recordation of a document of transfer of copyright is a jurisdictional prerequisite to the institution of a lawsuit based on infringement, *Burns v. Rockwood Distributing Co.*, 481 F.Supp. 841, 847 (N.D.Ill.1979), dismissal of the copyright claim in this case would have resulted only in dismissal without prejudice of the first claim with leave to amend the complaint after recordation. Diversity jurisdiction would have been retained over the last two claims. Upon amendment, the copyright claim would relate back, for statute of limitation purposes, to the original filing date of the complaint. Therefore, the amendment to the complaint was proper and not prejudicial to defendants. Because recordation has been completed summary

judgment on grounds two and three of defendants' motion must be denied.

INNOCENT INFRINGEMENT

[7, 8] Defendants' fourth ground for summary judgment is that if any infringement occurred, it was without notice of copyright due to the omission on the 1974 record album and thus it was innocent infringement resulting in no liability under 17 U.S.C. § 405(b). The complaint alleges violation of or infringement of the copyright during 1977, 1978, and 1979. Under section 405(b), applicable after January 1, 1978, an innocent infringer who is misled by an inadvertent omission of copyright notice is not subject to actual or statutory damages under section 504. The same rule existed under former section 20 of Title 17. *See Trifari, Krussman & Fishel, Inc. v. B. Steinberg-Kaslo Co.*, 144 F.Supp. 577, 581-582 (S.D.N.Y.1956). The note to section 405(b) states that the limitation of rights against an innocent infringer applies "whether the notice has been omitted from a large number or from a 'relative small number' of copies." 17 U.S.C. § 405, note. The underlying postulate of the provision is that one acting with a good faith assumption "that a work is in the public domain" and is not copyrightable should be shielded from unreasonable liability. *Id.* However, section 405(b) requires that the innocent infringer show he acted "in reliance upon an authorized . . . phonorecord from which the copyright has been omitted," and prove he was misled by the omission. 17 U.S.C. § 405(b). This "immunity" ends after actual notification of copyright registration.

[9-11] Owen Advertising claims it had connection with or control over the activities of Sunrise Management with respect to sound recording C-1039 only between May 1, 1978 and August 31, 1978. Because it had no notice of copyright during this time it claims the protection afforded by section 405(b). Sunrise Management alleges no specific facts supporting innocent infringer status in joining in this part of the summary judgment motion. Ruskin in his opposition to summary judgment did not counter by affidavit or otherwise defendants' claim of innocent infringement. The appropriateness of summary judgment on this issue therefore rests solely upon the sufficiency of defendants' motion and supporting affidavits and materials, *Griess v. Molybdenum Co.*, 488 F.Supp. 484, 486 (D.Colo.1979). I find that defendants have failed to meet the burden of proof under Rule 56 of the Federal Rules of Civil Procedure. Summary judgment is appropriate only where there exists no genuine issue of material fact. Fed.R.Civ.P. 56; *Adickes v. Kress & Co.*, 398 U.S. 144, 157-159, 90 S.Ct. 1598, 1608-1609, 26 L.Ed.2d 142 (1970); *Luckett v. Bethlehem Steel Corp.*, 618 F.2d 1373, 1383 (10th Cir. 1980). As a matter of law the movant must show entitlement to summary disposition beyond all reasonable doubt. *Norton v. Liddell*, 620 F.2d 1375, 1381 (10th Cir.

1980). Important questions of fact remain to be determined of whether defendants were misled by the omission of the copyright notice from sound recording C-1039 to believe reasonably the album was in the public domain, and thereupon whether the defendants in good faith relied upon their belief and used the sound recording for commercial advertising purposes. Summary judgment is particularly inappropriate where, as here, questions of motive and intent are at issue. *Poller v. Columbia Broadcasting, Inc.*, 368 U.S. 464, 82 S.Ct. 486, 7 L.Ed.2d 458 (1962). The motion for summary judgment is denied on the fourth ground asserted in defendants motion and it is

ORDERED that the defendants' motion of summary judgment be and hereby is DENIED. It is further

ORDERED that defendants' motion to dismiss for failure to prosecute filed on January 20, 1981, is DENIED.

SAILOR MUSIC, Wow and Flutter Music, Quackenbush Music, Ltd., WB Music Corp., Jobette Music Co., Inc., Black Bull Music, Inc., and Gladys Music, Plaintiffs, v. **THE GAP STORES, INC.**, Defendant

No. 79 Civ. 0059

(United States District Court, S. D. New York—February 3, 1981)

516 F.Supp. 923. 213 USPQ 1089

[See also 668 F.2d 84, and *infra* (2d Cir.—Affirmed, Nov. 30, 1981); *The Gap Stores, Inc. v. Sailor Music*, 456 U.S. 945, 102 S.Ct. 2012, 72 L.Ed.2d 468 (U.S. Sup. Ct.—*Certiorari denied*, Apr. 26, 1982)]

Copyright owners and members of American Society of Composers, Authors and Publishers brought action seeking monetary damages and injunctive relief against stores for transmission via stereo apparatus in stores of plaintiffs' copyrighted compositions. The District Court, Gagliardi, J., held that stores were not a small commercial establishment whose reception and performance of radio transmission via commonly used stereo equipment Congress intended to exempt from category of copyright infringing uses.

Use enjoined.

Copyrights and Intellectual Property

Stores with average size of 3,500 square feet were not a small commercial establishments whose reception and performance of radio transmission via commonly used stereo equipment Congress intended to exempt from category of copyright infringing uses. 17 U.S.C.A. § 110(5).

Bernard Korman, New York City, for plaintiffs.

Weil, Gotshal & Manges, New York City for defendant; Robert Sugarman, New York City, of counsel.

MEMORANDUM DECISION

GAGLIARDI, *District Judge*. Plaintiffs in this copyright infringement action are seven copyright owners and members of the American Society of Composers, Artists and Performers* (“ASCAP”), seeking monetary damages and injunctive relief against defendant The Gap Stores, Inc. (“The Gap”) for the transmission via stereo apparatus in Gap Stores of plaintiffs’ copyrighted compositions. This action arises under the federal copyright laws, 17 U.S.C. § 101 *et seq.* Pending before the court are the parties’ cross-motions for summary judgement pursuant to Rule 56, Fed.R.Civ.P.

Statement of Facts

The relevant facts may be briefly stated. The Gap is a well-known chain of approximately 420 clothing stores with 1979 revenues of nearly \$300 million. It is The Gap’s policy to transmit for the enjoyment of its customers radio programs by means of radio receivers connected to recessed loud-speakers arranged so that the music is audible throughout the stores. The allegedly infringing acts at issue here occurred on September 27, 1978, at two Gap stores located in New York City at 354 Sixth Avenue and at 22 West 34 Street. Defendant does not deny that on that date radio programs featuring plaintiffs’ copyrighted songs were played at those locations. In each of the stores the speakers are recessed behind wire grids in the store’s ceiling and are connected to the receiver by build-in wiring. There are four speakers at the Sixth Avenue store and seven speakers at the 34th Street store. The size of the Sixth Avenue store is 2769 square feet; the size of the 34th Street store is 6770 square feet, with a selling area open to the public of 4,690 feet. The average size of all Gap stores is 3500 square feet.

Discussion

17 U.S.C. § 106(4) grants copyright owners the exclusive rights publicly to perform, or authorize the performance of, their copyrighted works. 17 U.S.C. § 101 broadly defines “perform” to include the rendition or playing of a work “either directly or by means of any device or process.” Pursuant to those provisions of the copyright laws, plaintiffs, through ASCAP, receive licensing fees from radio stations for the performance of their copyrighted works. ASCAP now claims that the further transmission or performance of its members’ copyrighted works via radio receivers in The

*Editor’s Note: The name of the organization is “American Society of Composers, Authors and Publishers.”

Gap's retail stores constitutes copyright infringement. The Gap argues that its use is protected by 17 U.S.C. § 110(5) which exempts from the coverage of Section 106(4) any

communication of a transmission [e.g., a radio or television broadcast] embodying a performance or display of a work by the public reception of the transmission on a single receiving apparatus of a kind commonly used in private homes, unless —

(A) a direct charge is made to see or hear the transmission; or

(B) the transmission thus received is further transmitted to the public.

The issue in this lawsuit is whether defendant's allegedly infringing use of plaintiffs' copyrighted songs is exempted by section 110(5). To be exempted, The Gap must satisfy three requirements: (1) its apparatus must be "of a kind commonly used in private homes;" (2) no direct charge may be made to listen to the performances; and (3) the transmissions once received may not be "further transmitted to the public." Plaintiffs do not contend that The Gap directly charges its customers for listening to the performances; the court's inquiry therefore focuses on the first and third requirements. The reach of these provisions of section 110(5) has scarcely been tested in the courts. The legislative history, though, enables the court to ascertain what Congress intended by exempting performances via "commonly used" stereo equipment unless "further transmitted to the public."

Prior to the enactment in 1976 of the new copyright laws, the Supreme Court in *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 95 S.Ct. 2040, 45 L.Ed.2d 84 (1975), exempted under the 1909 copyright laws the owner of a fast-food store in Pittsburgh who kept a radio receiver with four speakers in the ceiling turned on throughout the business day. The size of the restaurant in the *Aiken* case was 1055 square feet, with a commercial area open to the public of 620 square feet. The House Committee sponsoring the 1976 Copyright Act expressly considered the *Aiken* decision, stating that the basis of the decision "is completely overturned by the present bill and its broad definition of 'perform' in section 101." H.Rep.No.94-1476, 94th Cong., 2d Sess., 87 (1976), U.S.Code Cong. & Admin.News 1976, p. 5659, 5701. The Committee proceeded to explain (and, due to its importance, this portion of the House Report is quoted at length):

Under the particular fact situation in the *Aiken* case, assuming a small commercial establishment and the use of a home receiver with four ordinary loudspeakers grouped within a relatively narrow circumference from the set, it is intended that the performances would be exempt under clause (5). However, the Committee considers this fact situation to represent the outer limit of the exemption, and believes that the line should be drawn at that point. Thus, the clause would exempt small commercial establishments whose proprietors merely bring onto their premises standard radio or television equipment and turn it on for their customers' enjoyment, but it would impose liability where the proprietor has a commercial "sound system" installed or converts a standard home receiving apparatus (by augmenting

[sic] it with sophisticated or extensive amplification equipment) into the equivalent of a commercial sound system. Factors to consider in particular cases would include the size, physical arrangement, and noise level of the areas within the establishment where the transmissions are made audible or visible, and the extent to which the receiving apparatus is altered or augmented for the purpose of improving the aural or visual quality of the performance for individual members of the public using those areas. U.S.Code Cong. & Admin.News 1976, p. 5701.

Applying this standard to the instant case, it is clear that Congress did not intend to exempt establishments such as The Gap. First, The Gap stores, with an average size of 3500 square feet, are substantially larger than the public area of 620 square feet in the fast-food store at issue in *Aiken*. By virtue of the size of The Gap stores, the radio transmissions received on the radio receivers and played via the recessed loudspeakers are “further transmitted to the public.” In addition, the stereo apparatus used by the specified Gap stores, including built-in wiring and four or seven loudspeakers recessed in ceiling cavities, may be considered to be “standard home receiving apparatus [converted] (by augmenting it with sophisticated or extensive amplification equipment) into the equivalent of a commercial sound system.” H.Rep., *supra*, at 87, U.S.Code Cong. & Admin.News 1976, p. 5701. There is a factual dispute between the parties’ experts as to whether or not the particular components used in these two Gap stores are actually “commonly used in private homes,” and consequently the court cannot grant summary judgment on this basis. Nevertheless, the rather elaborate sound system developed by The Gap, in conjunction with the size of the stores, places The Gap beyond the section 110(5) exemption.

This conclusion is further supported by the following statement in the Conference Report:

It is the intent of the conferees that a small commercial establishment of the type involved in *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, [95 S.Ct. 2040, 45 L.Ed.2d 84] (1975), which merely augmented a home-type receiver and which was not of sufficient size to justify, as a practical matter, a subscription to a commercial background music service, would be exempt.

H.Rep.No.94-1733, 94th Cong., 2d Sess., 75 (1976), U.S.Code Cong. & Admin.News 1976, p. 5816. It is clear on the basis of the uncontroverted affidavits of background music suppliers submitted by plaintiffs that The Gap is “of sufficient size to justify, as a practical matter, a subscription to a commercial background music service.”

The court therefore concludes that the Gap is not the small commercial establishment whose reception and performance of radio transmissions via commonly used stereo equipment Congress intended in section 110(5) to exempt from the category of copyright infringing uses. Plaintiffs’ motion

for summary judgment is granted. Defendant's motion for summary judgment is denied.

Defendant's infringing use of plaintiff's copyrighted works is hereby enjoined. Submit judgment.

SO ORDERED. ^

SAILOR MUSIC, Wow and Flutter Music, Quackenbush Music, Ltd., WB Music Corp., Jobete Music Co., Inc., Black Bull Music, Inc., and Gladys Music, Plaintiffs-Appellees, v. **THE GAP STORES, INC.**, Defendant-Appellant

No. 394, Docket No. 81-7543

(United States Court of Appeals, Second Circuit—Argued November 24, 1981—Decided November 30, 1981—Opinion Filed December 15, 1981)

668 F.2d 84

[See also 516 F.Supp. 923, 213 USPQ 1089, and *supra* (S.D.N.Y., Feb. 3, 1981); *The Gap Stores, Inc. v. Sailor Music*, 456 U.S. 945, 102 S.Ct. 2012, 72 L.Ed.2d 468 (U.S. Sup. Ct.—*Certiorari denied*, Apr. 26, 1982)]

Music companies sued to enjoin alleged infringing use of copyrighted works by chain of clothing shops. The United States District Court for the Southern District of New York, Lee P. Gagliardi, J., 516 F.Supp. 923, held defendant liable for copyright infringement and it appealed. The Court of Appeals held that: (1) chain clothing store with 2769 square feet in which radio music programs were transmitted by means of radio receivers connected to loudspeakers was not within copyright exemption provided for communication of a transmission embodying a performance or display of a work by the public reception of the transmission on a single receiving apparatus of a kind commonly used in private homes, unless transmission received is further transmitted to the public, and (2) injunction prohibiting defendant from rendering any public performances by means of radio broadcasts over loudspeakers which would infringe copyrighted musical composition fulfilled specificity requirements of federal rule of civil procedure.

Affirmed.

1. Copyrights and Intellectual Property

Chain clothing store with 2769 square feet in which radio music programs were transmitted by receivers connected to loudspeakers was not within copyright exemption provided for communications of transmission embodying performance or display of work by public reception of transmission on single receiving apparatus of kind commonly used in private homes, unless transmission received is further transmitted to public. 17 U.S.C.A. §§ 106, 106(4), 110(5).

2. Copyrights and Intellectual Property

Injunction prohibiting operator of clothing stores from rendering any public performances by means of radio broadcasts over loudspeakers which would infringe copyrighted musical compositions fulfilled specificity requirements of federal rule of civil procedure. 17 U.S.C.A. §§ 106, 106(4), 110(5); Fed.Rules Civ.Proc. Rule 65(d), 28 U.S.C.A.

3. Injunction

Injunction must not be so vague that it is confusing. Fed.Rules Civ.Proc. Rule 65(d), 28 U.S.C.A.

Robert G. Sugarman, New York City (Amy L. Katz, Weil, Gotshal & Manges, New York City, of counsel), for defendant-appellant.

Jay Topkis, New York City (Bernard Korman, Judith M. Saffer, I. Fred Koenigsberg, Paul, Weiss, Rifkind, Wharton & Garrison, Bernard Korman, New York City, of counsel), for plaintiffs-appellees.

Theodore S. Steingut, Berger, Steingut, Weiner, Fox & Stern, New York City of counsel, for amicus curiae Nat. Retail Merchants Ass'n.

Before KAUFMAN, TIMBERS and MESKILL, Circuit Judges.

PER CURIAM. This is an appeal from a judgment entered upon the order of Judge Lee P. Gagliardi, 516 F.Supp. 923, granting the motion for summary judgment of Sailor Music, Wow and Flutter Music, Quackenbush Music Ltd., WB Music Corporation, Jobete Music Company, Inc., Black Bull Music, Inc., and Gladys Music and finding that The Gap Stores, Inc. had made infringing use of the music companies' copyrighted works. Since we agree that The Gap Stores, Inc. does not come within the ambit of the exemption provided by 17 U.S.C. § 110(5),¹ we affirm.

[1] The Gap Stores, a chain of approximately 420 clothing shops, transmits radio music programs throughout its stores by means of radio receivers connected to loudspeakers recessed in the ceilings of its stores. One of its shops, located in New York City at 354 Sixth Avenue, has four speakers recessed behind wire grids in the store's ceiling. The size of this store is 2769 square feet. The average size of all Gap stores is 3500 square feet. On September 27, 1978, radio programs featuring appellees' copyrighted songs were played in two Gap stores in New York City.

¹17U.S.C. § 110 provides in pertinent part:

Notwithstanding the provisions of section 106, the following are not infringements of copyright:

* * * * *

(5) communications of a transmission embodying a performance or display of a work by the public reception of the transmission on a single receiving apparatus of a kind commonly used in private homes, unless-

(A) a direct charge is made to see or hear the transmission; or

(B) the transmission thus received is further transmitted to the public; . . .

17 U.S.C. § 106(4)² grants copyright owners the exclusive rights publicly to perform, or authorize the performance of, their copyrighted works. Section 110(5) exempts from § 106(4) any "communication of a transmission embodying a performance or display of a work by the public reception of the transmission on a single receiving apparatus of the kind commonly used in private home, unless— . . . (B) the transmission thus received is further transmitted to the public; . . ."

In enacting § 110(5) Congress expressly considered the scope of the exemption this section provided. The House Committee sponsoring the 1976 Copyright Act made reference to *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 95 S.Ct. 2040, 45 L.Ed.2d 84 (1975), a case holding that a fast-food shop of 1055 square feet with a commercial area open to the public of 620 square feet in which radio programs were played by means of a radio receiver connected to four speakers in the shop's ceiling was exempt pursuant to the 1909 copyright laws. The Committee noted that this particular fact situation represented the "outer limit" of the § 110(5) exemption. H. Rep. No. 1476, 94th Cong., 2d Sess., 87 (1976), U.S. Code Cong. & Admin. News 1976, p. 5659.

The Gap store in the instant case exceeds this "outer limit" as Judge Gagliardi properly held. It is much larger than the shop in *Aiken* which, as Judge Gagliardi concluded, indicates that Congress did not intend it to be exempted from the mandates of the copyright laws pursuant to § 110(5). Furthermore, the store is "of sufficient size to justify, as a practical matter, a subscription to a commercial background music service," H. Rep. No. 1733, 94th Cong., 2d Sess., 75 (1976), U.S. Code Cong. & Admin. News 1976, p. 5816, a factor which further suggests Congress did not intend that the Gap store would be exempt. See Korman, *Performance Rights in Music Under Sections 110 and 118 of the 1976 Copyright Act*, 22 N.Y.L.S.L. Rev. 521, 528-34 (1977). Accordingly, we conclude Judge Gagliardi correctly determined that The Gap Stores had made infringing use of appellees' copyrighted works.

[2, 3] Moreover, The Gap Stores claims that the injunction prohibiting it from "rendering any public performances by means of radio broadcasts over loudspeakers which would infringe plaintiffs' copyrighted musical compositions" is vague. Indeed, an injunction must not be so vague that it is confusing. *International Longshoremen's Ass'n v. Philadelphia Marine Trade Ass'n*, 389 U.S. 64, 74-76, 88 S.Ct. 201, 206, 19 L.Ed.2d 236 (1967). We believe the injunction is sufficiently clear to notify Gap Stores that broadcasting radio programs as it does now is forbidden. Thus, the

²17 U.S.C. § 106 provides in pertinent part:

Subject to sections 107 through 118, the owner of copyright under this title has the exclusive rights to do and to authorize any of the following:

(4) in the case of literary, musical, dramatic, or choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly; . . .

injunction fulfills the requirement of Federal Rules of Civil Procedure Rule 65(d) that an injunction must be specific in terms to give the party subjected to the injunction fair notice of the forbidden conduct.

Accordingly, we AFFIRM.

M. B. SCHNAPPER, Public Affairs Press (A corporation of the State of Delaware), Appellants, v. **William E. FOLEY**, Director, Administrative Office of the U.S. Courts of the Supreme Court, et al.

No. 79-1848

(United States Court of Appeals, District of Columbia Circuit—Argued January 27, 1981—Decided October 1, 1981)

667 F.2d 102. 215 U.S.App.D.C. 59. 212 USPQ 235

[See also 471 F. Supp. 426, 202 USPQ 699, 43 C.O.Bull. 781 (D.D.C., June 8, 1979); 455 U.S. 948, 102 S.Ct. 1448, 71 L.Ed.2d 661, 215 USPQ 96 (U.S. Sup. Ct.—*Certiorari denied*, Feb. 22, 1982)]

Action was instituted for declaratory and injunctive relief to challenge arrangements among government agencies and public broadcasters for filming and dissemination of copyrighted bicentennial films assigned to United States government. The United States District Court for the District of Columbia, John Lewis Smith, Jr., Chief Judge, 471 F.Supp. 426, granted defendants' motion to dismiss, and plaintiffs appealed. The Court of Appeals, McGowan, Senior Circuit Judge, held that: (1) the United States and its officer were not insulated from suit for injunctive relief by doctrine of sovereign immunity; (2) the copyright laws, both old and new, permitted the registration of works commissioned by the government and the subsequent assignment of copyrights subsisting therein to the government; (3) it was within the power of Congress to enact those acts into law; (4) the plaintiffs did not have a right under the First Amendment to reprint screen plays for commercial gain; (5) public broadcasters named as defendants could not be required under the First Amendment to disclose the existence or extent of government control of the content of the films; (6) the Public Broadcasting Act did not provide a private right of action that was available to the plaintiffs; (7) plaintiffs lacked standing to sue under the property clause; and (8) the Federal Communications Commission was the exclusive forum for claim that producing and broadcasting the films disserved the public interest contrary to the Communications Act of 1934. Affirmed.

1. United States

All questions of amenability of a federal officer to a suit for injunctive relief must be decided with reference to statute authorizing an action in a court of the United States on a claim that an agency or officer or an employee acted or failed to act in an official capacity or under color of legal authority. 5 U.S.C.A. § 702.

2. United States

Statute authorizing an action in a court of United States on a claim that an agency or an officer or an employee acted or failed to act in an official capacity or under color of legal authority retains the defense of sovereign immunity only when another statute expressly or implicitly forecloses injunctive relief. 5 U.S.C.A. § 702.

3. United States

Under statute authorizing an action in a court of United States on a claim that an agency or an officer or an employee acted or failed to act in an official capacity or under color of legal authority, question to be determined is whether each particular law the claimants assert as a basis for their actions supplies a claim for injunctive relief. 5 U.S.C.A. § 702.

4. United States

The United States and its officers, including officials of the Administrative Office of the United States Courts and the Register of Copyrights, were not insulated by the doctrine of sovereign immunity from suit by a commercial television station to void the copyright on bicentennial films assigned by contract to the United States. 5 U.S.C.A. § 702.

5. Copyrights and Intellectual Property

Language of the new Copyright Act defining a "work of the United States" as one "prepared by * * * an employee of the United States Government as part of that person's official duties" does not prohibit copyright protection for federally commissioned works. 17 U.S.C.A. §§ 101, 105.

6. Copyrights and Intellectual Property

Provision of the new Copyright Act denying copyright protection for any work of the United States Government, but allowing the United States government to receive and hold copyrights transferred to it by assignment, bequest, or otherwise is not necessarily subverted by assigning to the government the copyright in a commissioned work that is neither produced by current or former employees nor related to the official duties of any government employee. 17 U.S.C.A. § 105.

7. Copyrights and Intellectual Property

There is no basis in the 1909 Copyright Act for denying copyright protection to a work commissioned by the United States government or to void an alleged assignment of that work to the government. 17 U.S.C. (1970 Ed.) § 8.

8. Copyrights and Intellectual Property

The copyrights laws, both old and new, permit the registration of works commissioned by the United States government for copyright. 17 U.S.C. (1970 Ed.) § 8; 17 U.S.C.A. §§ 101, 105.

9. Copyrights and Intellectual Property

It is within the power of Congress to enact into laws acts purporting to allow registration for copyright of federally commissioned works. 17 U.S.C. (1970 Ed.) § 8; 17 U.S.C.A. §§ 101, 105.

10. Copyrights and Intellectual Property

The constitutional grant of power to Congress to pass legislation with respect to copyrights "To promote the Progress of Science and the useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries" does not constitute a substantive limit on Congress' legislative power as referring only to need to

provide economic incentives in the form of royalties. 17 U.S.C. (1970 Ed.) § 8; 17 U.S.C.A. §§ 101, 105; U.S.C.A.Const. Art. 1, § 8.

11. Copyrights and Intellectual Property

When there is no allegation that the United States government and the contractor had attempted to subvert the copyrights laws through an assignment subsequent to registration of a commissioned work, the copyrights laws, in their present as well as former incarnation, will permit such assignment. 17 U.S.C. (1970 Ed.) § 8; 17 U.S.C.A. §§ 101, 105.

12. Constitutional Law

Doctrine that the First Amendment protects right of listener to receive information from a willing speaker was of little relevance in situation where complaint did not allege that individuals were denied access to works of a willing speaker by existence of a copyright. 17 U.S.C.A. §§ 101, 105; U.S.C.A.Const.Amend. 1.

13. Constitutional Law

As regards allegation that those not living within range of a signal from a public television station were injured by failure of defendants to make copyrighted work available to commercial broadcasters, where plaintiff's attempted representation of those living in areas not served by public broadcasting constituted an assertion of interests of third parties with which plaintiff was not inextricably intertwined, and thus plaintiff was without standing to assert purported First Amendment interests of those third parties. 17 U.S.C.A. §§ 101, 105; U.S.C.A.Const.Amend. 1.

14. Constitutional Law

With respect to claim that application of copyright laws to works commissioned by United States government was, if authorized by Congress, violative of First Amendment, plaintiffs, who failed to allege any link between illegal conduct alleged, which was maintenance of copyright, and purported injury, which was their inability to watch entire series on particular station, were without standing to maintain claim. 17 U.S.C.A. §§ 101, 105; U.S.C.A.Const.Amend. 1.

15. Constitutional Law

A right to reprint screen plays for commercial gain from copyrighted bicentennial films assigned to United States government did not exist under First Amendment absent an allegation that interested public had been denied access to films. 17 U.S.C.A. §§ 101, 105; U.S.C.A.Const.Amend. 1.

16. Constitutional Law

Public broadcasters were not required under First Amendment to disclose existence or extent of government control of content of copyrighted bicentennial films assigned to United States government. U.S.C.A.Const.Amend. 1.

17. Declaratory Judgment

Provisions of the Public Broadcasting Act provide no private right of action that is available to plaintiffs in action wherein they sought declaratory and injunctive relief to void copyrights subsisting in bicentennial films assigned to United States government.

18. Constitutional Law

Plaintiffs, who sought declaratory and injunctive relief to void copyrights subsisting in bicentennial films assigned to United States government, lacked standing to sue under the property clause where the only interest they had was in the commercial republication of copyrighted material and in government disclosure and, as such, did not possess an interest

recognized by the property clause. 17 U.S.C.A. §§ 101, 105; U.S.C.A. Const. Art. 4, § 3; Amend. 1.

19. Telecommunications

The Court of Appeals may not determine the disposition of controversies that Congress has committed to discretion of the Federal Communications Commission. Communications Act of 1934, § 309(a), 47 U.S.C.A. § 309(a).

20. Telecommunications

The Federal Communications Commission was the exclusive forum for plaintiff's claims that producing and broadcasting copyrighted bicentennial films assigned to the United States Government disserved the public interest contrary to the Communications Act of 1934. Communications Act of 1934, § 309(a), 47 U.S.C.A. § 309(a).

Appeal from the United States District Court for the District of Columbia (D.C. Civil Action No. 77-2119).

Eric Schnapper, New York City, with whom Seymour S. Guthman and George R. Douglas, Jr., Washington, D.C., were on the brief for appellants.

Thomas J. Byrnes, Atty., Dept. of Justice, Washington, D.C., with whom Charles F. C. Ruff, U.S. Atty. and Alice Daniel, Asst. Atty. Gen., Washington, D.C., were on the brief for appellees, Foley and Ringer.

Theodore D. Frank, Washington, D.C., with whom Mania K. Baghdadi, Elizabeth L. Shriver and Eric H. Smith, Washington, D.C., were on the brief, for appellees, Public Broadcasting Service, et al. Rodney F. Page, Washington, D.C., also entered an appearance for appellees, Public Broadcasting Service, et al.

Murray Drabkin, Washington, D.C., was on the brief for appellee, Metropolitan Pittsburgh Public Broadcasting, Inc.

Before ROBINSON, Chief Judge, McGOWAN, Senior Circuit Judge, and PARKER*, United States District Judge for the District of Columbia Circuit.

Opinion for the Court filed by Senior Circuit Judge McGOWAN.

McGOWAN, *Senior Circuit Judge*. Appellants M. B. Schnapper and the Public Affairs Press challenge the arrangements among government agencies and public broadcasters for the filming and dissemination of the television series "Equal Justice Under Law." Although the complaint states numerous legal grounds for relief, appellants' central contention is that one commissioned by the Government to create a literary or artistic work cannot obtain a copyright in that work. The District Court granted defendants' motion to dismiss. *Schnapper v. Foley*, 471 F.Supp. 426 (D.D.C.1979). For the reasons appearing below, we affirm.

*Sitting by designation pursuant to 28 U.S.C. § 292(a).

I

The complaint names five defendants who, it is alleged, had some role in the series: William E. Foley, Director of the Administrative Office of the United States Courts (AO), the Register of Copyrights, then Barbara A. Ringer and now David Ladd, *see* 46 Fed. Reg. 12,705 (1981), the Public Broadcasting Service (PBS), Metropolitan Pittsburgh Public Broadcasting, Inc., the series' producer and proprietor of television station WQED, and Greater Washington Area Educational Telecommunications Association, Inc., which broadcast part of the series over its television station, WETA.

The complaint also alleges that the contract "required" WQED to copyright the films, and to assign such copyright to the Government. Complaint, ¶13. At oral argument and in later correspondence, both counsel for WQED and counsel for the federal appellees stated that, although WQED did copyright the films, there was never an assignment of the copyright to the Government, and counsel for appellants has not contested the point. According to a March 20, 1981 letter sent to appellants' counsel by counsel for the federal appellees, no government agency has any copyright interest in the films. However, for the purposes of this appeal from the District Court's dismissal of the complaint under Fed.R.Civ.P. 12(b)(6), we are constrained to regard the allegations of the complaint as true, and will proceed on the assumption that an assignment took place. 5 C. Wright & A. Miller, *Federal Practice and Procedure* § 1358 (1969). Accord-

To put this allegation in context, we take judicial notice of certain indisputable facts. *See* Fed.R.Evid. 201(b), (c). The series, commissioned by the Judicial Conference as a bicentennial project, dramatized four cases arising in the early years of the Republic that established constitutional law principles of enduring significance: *Marbury v. Madison*, 5 U.S. (1 Cranch) 137, 2 L.Ed. 60 (1803); *McCulloch v. Maryland*, 17 U.S. (4 Wheat.) 316, 4 L.Ed. 579 (1819); *Gibbons v. Ogden*, 22U.S. (9 Wheat.) 1, 6 L.Ed. 23 (1824); and, in two parts, the trial of Aaron Burr. Swindler, *Equal Justice Under Law*, 63 A.B.A.J. 1099 (1977).

The stated goal of the project was to increase public understanding of the judicial process and to this end the films were broadcast over the PBS network in September of 1976. *Id.* The government agencies did exercise some supervision over the scripts, with a subcommittee from the judicial agencies involved reviewing the stories for "accuracy and authenticity." *Id.* at 1100.

The appellants further complain that the films were transmitted by PBS to its affiliates, including WETA, and by them broadcast without any disclosure of the government's control over their content. Complaint, ¶15. This, it is alleged, caused injury of an unspecified nature to the class of

persons who watch WETA, a purported class whose interests appellant Schnapper states he is qualified to represent. *Id.*, ¶8. The nature of the inquiry is difficult to fathom because the class comprises not those who actually watched the programs, but anyone who ever viewed any of WETA's televised offerings, even those who never knew of the series at issue. *Id.*

In paragraph 16, the complaint asserts that the existence of the copyright severely hampers public access to the films because PBS, WQED, and the AO have refused to permit their commercial broadcast, thus injuring those who do not live within range of a public television station. Since appellant Schnapper had previously stated that he is not so situated, but rather a viewer of WETA, this purported denial of access has apparently not injured him. The injury of which appellants chiefly complain is that the copyright prevents them from publishing the text of the films. *Id.*, ¶17.

The complaint alleges that the defendants have violated the First and Fifth Amendments, the Property Clause, art. IV, sec. 3, and the Copyright Clause, art. 1, sec. 8 of the Constitution, as well as the new and old Copyright Acts, 17 U.S.C. § 105 (1976), 17 U.S.C. § 8 (1970), various portions of the Communications and Public Broadcasting Acts, and "the public policy of the United States." Complaint, ¶¶18-19, 25, 30. The complaint seeks both injunctive and declaratory relief not only to void the copyright subsisting in "Equal Justice Under Law" but also to prevent the defendants from committing in the future acts that appellants contend are unlawful.

The District Court granted the defendants' motion to dismiss, and therefore never ruled upon the legitimacy *vel non* of the purported classes. The court held that (1) injunctive relief was not available against the sovereign, (2) the copyright law allows the copyrighting of a work commissioned by the Government, (3) there is no danger of government censorship because the stations were under no compulsion to either produce or air these films, and (4) there is no conflict between the First Amendment and copyright. *Schnapper v. Foley*, 471 F.Supp. 426, 429 (D.D.C.1979).

At oral argument before this court, counsel for WQED expressed the opinion that the station would be willing to permit appellants to print the text of the films. Accordingly, on February 20, 1981, this court issued an order suspending consideration of the appeal for several weeks and stating in part that,

. . . it appearing that arguably the only significant injury in fact of which appellant Schnapper has complained was the alleged denial to him of commercial publication rights to the script . . . , and it further appearing . . . that the appellees . . . would consider granting such rights, . . . or had no control over them, and that counsel for all parties would promptly confer in order to explore the question of the possible availability to appellant of such rights.

The parties were unable to settle the controversy. Counsel for appellants requested WQED to waive any copyright or ownership claims it might assert not only against appellant but against any commercial television station seeking to broadcast the films. There being considerable difference between a license and a waiver of rights in a literary or artistic work, counsel for WQED stated that they had no intention of waiving its rights in "Equal Justice Under Law." After we were apprised that no settlement would be forthcoming, we were compelled to decide the legal issues of the instant case, and we do so now by affirming the District Court with respect to each question presented save that of sovereign immunity.

II

At the threshold,¹ we are confronted with the District Court's ruling that the United States and its officers, including officials of the Administrative Office of the United States Courts and the Register of Copyrights, are insulated from suit for injunctive relief by the doctrine of sovereign immunity. *Schnapper v. Foley*, 491 F.Supp. 426, 427 (D.D.C.1979). In support of this proposition the court cited *Larson v. Domestic & Foreign Commerce Corp.*, 337 U.S. 682, 69 S.Ct. 1457, 93 L.Ed. 1628 (1949).

We do not think that the District Court's application of *Larson* to the instant case can be considered correct in light of the amendments to 5 U.S.C. §§ 702 & 703 made by P.L. 94-574, 90 Stat. 2721, 94th Cong., 2d Sess. (1976). That statute enacted into law this language:

An action in a court of the United States seeking relief other than money damages and stating a claim that an agency or an officer or employee thereof acted or failed to act in an official capacity or under color of legal authority shall not be dismissed nor relief therein denied on the ground that it is against the United States . . .

5 U.S.C. § 702 (1976). The legislative history of this provision could not be more lucid. It states that this language was intended "to eliminate the defense of sovereign immunity with respect to any action in a court of the United States seeking relief other than money damages and based on the assertion of unlawful official action by a Federal officer . . ." S. Rep. No. 996, 94th Cong., 2d Sess. at 2 (1976).

[1-4] After reviewing *Larson* and other leading cases, the Senate Report concluded:

The application of sovereign immunity is so illogical that one cannot predict in what case the injustice is likely to occur.

. . . .

¹We treat other preliminary issues such as standing with reference to each of appellants' claims on the merits in Parts IV and V *infra*.

... [T]he time [has] now come to eliminate the sovereign immunity defense in all equitable actions for specific relief against a Federal agency or officer acting in an official capacity.

....

[When the defense is raised,] the sovereign immunity doctrine distracts the court's attention from the basic issue concerning the availability or scope of judicial review and diverts it toward sophistry and semantics.

S. Rep. No. 996 at 7-8. The clarity and force of the legislative history leaves this court with no alternative but to conclude that all questions of the amenability of a federal officer to a suit for injunctive relief must be decided with reference to section 702, not *Larson*. *Accord, Sea-Land Service v. Alaska Railroad*, 659 F.2d 243 (D.C. Cir. 1981). And section 702 retains the defense of sovereign immunity only when another statute expressly or implicitly forecloses injunctive relief. The question is therefore whether each particular law appellants assert as a basis for their suit supplies a claim for injunctive relief, and we will discuss the question *infra* only when, with respect to a particular law, there is authority to support a negative answer.²

III

The most plausible point of departure for considering appellants' claims on the merits lies in their assertion that the copyright laws, both old and new, do not permit the registration of works commissioned by the Government, or the subsequent assignment of copyrights subsisting therein to the Government. As the series was copyrighted in 1976 under the old Copyright Act, and appellants seek a broad injunction of future applicability under the new Act, we will decide the fate of appellants' claims with respect to both the old and new Copyright Acts.

[5] The status of works produced pursuant to a Government commission does not present any difficult problems under the new Copyright Act. Section 105 of the new Act, 17 U.S.C. § 105 (Supp. I 1977) states in its entirety:

Copyright protection under this title is not available for any work of the United States Government, but the United States Government is not precluded from receiving and holding copyrights transferred to it by assignment, bequest, or otherwise.

²We may also doubt whether, even in the absence of section 702, the *Larson* case would prevent a court from awarding equitable relief on the basis of appellants' constitutional claims. The *Larson* Court was at some pains to note that injunctive relief against the sovereign could be obtained when the United States or an officer was found to have violated the Constitution:

... Under our constitutional system, certain rights are protected against governmental action and, if such rights are infringed by the actions of officers of the Government, it is proper that the courts have the power to grant relief against those actions. But in the absence of a claim of constitutional limitation, [courts may not enjoin the Government].

Larson v. Domestic & Foreign Commerce Corp., 337 U.S. 682, 704, 69 S.Ct. 1457, 1468, 93 L.Ed. 1628 (1949).

The statute defines a “work of the United States” as one “prepared by . . . an employee of the United States Government as part of that person’s official duties.” 17 U.S.C. § 101 (Supp. I 1977). It is readily observable, therefore, that the language of the new Copyright Act does not prohibit copyright protection for federally commissioned works.

Whatever doubt there may be left after reading the statute is wholly dispelled by the legislative history, which states plainly that these commissioned works may be eligible for copyright protection:

The bill deliberately avoids making any sort of outright, unqualified prohibition against copyright in works prepared under Government contract or grant. There may well be cases where it would be in the public interest to deny copyright. . . . However, there are almost certainly many other cases where the denial of copyright protection would be unfair or would hamper the production and publication of important works.

H.R. Rep. No. 1476, 94th Cong., 2d Sess. 59 (1976), U.S.Code Cong. & Admin.News 1976, pp. 5659, 5672. That report also states that the government agency may withhold copyright protection from the author if it would be in the public interest to do so or if the commission is merely an alternative to producing the work in-house. *Id.*; see also 1 Nimmer on Copyright § 5.06[B][2] n.19.2 In this case, however, the government did not choose to withhold copyright protection from WQED.

Although section 105 explicitly allows the Government to obtain a copyright by assignment, appellants argue that section 105 does not comprehend an assignment of a federally commissioned work. They assert that this commission and assignment constitute an effort to avoid the proscription of copyright subsisting in works produced by the Government, and is therefore prohibited by the new law. In support of this analysis they cite the following passage of Professor Nimmer’s treatise:

Could the U.S. Government thus claim a copyright in a work by this indirect method which it would be precluded from claiming if the work were in the first instance made in a for hire relationship? It seems unlikely that the courts would permit such a subterfuge.

1 Nimmer on Copyright § 5.06[B][3].

[6] Without laying down a broad rule, we are reluctant to cabin the discretion of government agencies to arrange ownership and publication rights with private contractors absent some reasonable showing of a congressional desire to do so. The legislative history noted above indicates a desire to vest the government with some flexibility in making these arrangements. The House Report provides no strong indicia of congressional intent that would lead this court to void the alleged assignment provision. It states, “The effect of section 105 is intended to place all works of the United States Government . . . in the public domain.” H.R. Rep. No. 1476, 94th Cong., 2d Sess. 59 (1976), U.S.Code Cong. & Admin. News 1976, p. 5672. Works of the United States were defined by section 101 to

comprise works created by Government employees carrying out their official duties. Section 105, therefore, is not necessarily subverted by assigning to the Government the copyright in a commissioned work that is neither produced by current or former employees nor related to the official duties of any Government employee, as here. Had the Government employees been detailed as consultants or employees of WQED, we might more readily find the purported assignment to be a "subterfuge," but without any such allegation we simply lack the statutory warrant to void the assignment.

[7] The 1909 Act similarly provides no basis on which to deny copyright protection to a work commissioned by the Government or to void an alleged assignment of that work to the Government. Section 8 of the superseded Copyright Act states, in relevant part, "No copyright shall subsist . . . in any publication of the United States Government." 17 U.S.C. § 8 (1970). The applicability of that language to commissioned works was an "ambiguous" issue, according to Professor Nimmer. 1 Nimmer on Copyright § 5.06[B][2] & n.19.

This court has had occasion to determine the general issue of the scope of the governmental exception of the old Copyright Act. *Public Affairs Associates v. Rickover*, 284 F.2d 262 (D.C.Cir. 1960), *vacated for insufficient record*, 369 U.S. 111, 82 S.Ct. 580, 7 L.Ed.2d 604 (1962). That case was based upon an action for a declaratory judgment brought by Public Affairs Associates Inc., doing business as Public Affairs Press, an appellant in the instant case, to establish its right to publish Admiral Rickover's speeches without the Admiral's permission. *See* 284 F.2d at 264-65. In the course of holding that the speeches of a public official composed on his own time and not written as part of his official duties may be copyrighted by that official, this court read section 8

. . . to refer to publications commissioned or printed at the cost and direction of the United States. These would be authorized expositions on matters of governmental interest by governmental authority.

Id. at 268 (footnote omitted).

Appellants contend that this dictum supports their contention that federally commissioned works cannot be copyrighted under section 8. We think that the dictum is too vague to provide much guidance. A commissioned work, such as "Equal Justice Under Law," is not an exposition "by government authority," but by the creator. Therefore, it may be that the court's use of the word "commissioned" comprised only works privately printed or reproduced but created by government employees as part of their official duties or intended as statements of government policy.

Nor is the case of *DuPuy v. Post Telegram Co.*, 210 F. 883 (3d Cir. 1914), dispositive. While the Third Circuit held that no copyright could be had in a work (1) commissioned by the Government and (2) published as

an official Government document, the court's *ratio decidendi* depended solely upon the latter quality: "This bulletin was a public official document, one which by its public character was by statute exempted from copyright appropriation." 210 F. at 884.

Finally, we do not receive much assistance from *United States v. First Trust Company*, 251 F.2d 686 (8th Cir. 1958). At issue was the ownership of certain notes prepared by Captain William Clark during the Lewis and Clark expedition of 1804-05. The Eighth Circuit posed the question it saw as decisive by stating: "If Clark's notes are the written records of a government officer executed in the discharge of his official duties, they are public documents and ownership is in the United States." 251 F.2d at 688. The court, having affirmed the District Court's finding that the notes were considered private, had no reason to ascertain whether Captain Clark had been commissioned to keep his diary by President Jefferson, Meriwether Lewis, or other government officials.

Our effort to interpret section 8 of the old Copyright Act, although not much advanced by the cases noted above, is greatly aided by a decision of this circuit holding that the legislative history of the 1976 Copyright Act may be used to interpret those provisions of the former Act that the new law was intended to reproduce. *Esquire, Inc. v. Ringer*, 591 F.2d 796, 802-03 (D.C.Cir. 1978), *cert. denied*, 440 U.S. 908, 99 S.Ct. 1217, 59 L.Ed.2d 456 (1979). The legislative history reveals that section 8 is one of those provisions. H.R. Rep. No. 1476, 94th Cong., 2d Sess. 58 (1976), U.S.Code Cong. & Admin.News 1976, p. 5659. Therefore, the explicit legislative intent to extend copyright protection to some Government-commissioned works can be taken as indicating that section 8 did not prohibit such an arrangement.

This has also been the consistent position of the Register of Copyrights, who is charged with administering the copyright laws through the Copyright Office. That agency has consistently accepted for registration federally commissioned works under the previous Copyright Act. See Berger, "Copyright in Government Publications," in *Copyright Law Revision: Studies Prepared for the Subcommittee on Patents, Trademarks, and Copyrights of the Senate Judiciary Committee*, 86th Cong., 2d Sess. 33-34 (Comm. Print 1961). The *Esquire* court also stated that the Register's interpretation of the copyright laws, if consistently applied, is entitled to considerable weight. *Esquire, Inc. v. Ringer*, 591 F.2d 796, 801 (D.C.Cir. 1978), *cert. denied*, 449 U.S. 908, 99 S.Ct. 1217, 59 L.Ed.2d 456 (1979).

We also conclude that the alleged assignment to the Government was authorized under section 8. The provision of section 105 of the new law permitting the Government to receive a copyright by assignment was a confirmation of the existing rule announced in *Folsom v. Marsh*, 9 F.Cas. 342 (C.C.D.Mass.1841). 1 Nimmer on Copyright § 5.06[B][3]. Justice

Story, sitting as a Circuit Justice, stated that when Congress acquired letters written by President Washington, it did not thereby place the letters in the public domain. He explained that "It might be contended, with as much force and correctness, that every private person had an equal right to use any other national property at his pleasure, such as the arms, the ammunition, the ships, or the custom houses, belonging to the government." 9 F.Cas. at 347³ The rule of *Folsom*, its reaffirmation in the new law, and the practice of the Copyright Office in permitting copyright to exist after assignment in these circumstances, see *Berger, supra*, at 34, provide ample justification for our refusal to hold that section 8 prohibited the assignment of a copyright to the government.

Informing our consideration of the statutory issues is the contention advanced by WQED that limiting the right of public broadcasters to obtain copyrights in works produced with government funds would "cripple" public television, WQED br. at 10. The federal government spends millions of dollars to finance public television programming, and we cannot understand how, were we to void the copyright in "Equal Justice Under Law," any program produced with federal funds could obtain a copyright. It is idle to state that the harm lies not in federal financing, but in federal "control" of content. Presumably a federal grant to televise *Hamlet* would be deemed an unlawful exercise of control over content if the Government indicated that it would not be satisfied by a production of *Macbeth*. If "control" is the Government's desire to get what it paid for, as here, we conceive that nothing but an unconditional grant to public broadcasting would pass the test of "control."

The public broadcasters seek copyright protection for federally commissioned works, they inform us, chiefly as a matter of economic self-interest, if not survival. We are told that the unions with which the broadcasters must negotiate would demand higher rates for production if the stations could not control subsequent commercial, and thus revenue-producing, uses. *Id.* at 10-11. We are further informed that foreign and other sales of public television programs constitute a significant source of revenue to the producing stations, *id.* at 11. We infer that the loss of this revenue would lead to requests for more government money, fewer original programs, or both.

³It might also be contended that this statement, and the proposition drawn from it that the United States may receive a copyright by assignment, is dictum. The United States had bought the letters from an unnamed party. The letters were sold subject to plaintiff's pre-existing copyright, which was not conveyed with the letters themselves. See 9 F.Cas. at 345, 347. The holding of Justice Story's opinion on the effect of congressional acquisition appears to be no more than an application of the venerable principle of property law that "[t]he vendor . . . could convey no title which he did not himself possess." *Id.* at 347. Congress did not obtain the copyright; it remained with the plaintiff, and was not extirpated by the sale of the letters to the Government. *Id.*

[8–10] It is against this backdrop that we evaluate appellants' claims that if the old or new copyright acts purport to allow registration for copyright of federally commissioned works, or its assignment to the government, those acts were beyond the power of the Congress to enact into law. The constitutional grant of power to Congress to pass legislation with respect to copyrights is contained in the Copyright Clause, art. I, sec. 8: "To promote the Progress of Science and the useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their Respective Writings and Discoveries." The appellants' argument, although not wholly clear on the point, is that the purposive language of the Copyright Clause constitutes a substantive limit on Congress's legislative power, and that it only refers to the need to provide economic incentives in the form of royalties.

There are a number of problems with appellants' position less obvious than their failure to cite any relevant authority for either proposition. Professor Nimmer apparently does not agree with the appellants' interpretation of the introductory phrase as a limitation upon congressional power: "[T]he introductory phrase, rather than constituting a limitation on Congressional authority, has for the most part tended to expand such authority." 1 Nimmer on Copyright § 1.03[B].

The Fifth Circuit, in holding that a copyright may subsist in a work judged obscene, has, we think, stated the proper scope for judicial review of challenges to congressional power based upon the supposed limits of the Copyright Clause:

Congress has authority to make any law that is 'necessary and proper' for the execution of its enumerated Article I powers, . . . including its copyright power, and the courts [*sic*] role in judging whether Congress has exceeded its Article I powers is limited. The courts will not find that Congress has exceeded its power so long as the means adopted by Congress for achieving a constitutional end are 'appropriate' and 'plainly adapted' to achieving that end. *McCulloch v. Maryland* . . . It is by the lenient standard of *McCulloch* that we must judge whether Congress has exceeded its constitutional powers in enacting an all-inclusive copyright statute.

Mitchell Brothers Film Group v. Cinema Adult Theater, 604 F.2d 852, 860 (5th Cir. 1979), *cert. denied*, 445 U.S. 917, 100 S.Ct. 1277, 63 L.Ed.2d 601 (1980). Having stated a standard for judicial review that we today endorse, the Fifth Circuit applied that standard to conclude that Congress need not "require that each copyrighted work be shown to promote the useful arts" 604 F.2d at 860. That being so, we cannot accept appellants' argument that the introductory language of the Copyright Clause constitutes a limit on congressional power. Furthermore, as our earlier discussion implies, we would have serious difficulty reaching the conclusion that prohibiting copyrights in public television programs produced with government support would do much to advance the useful arts.

[11] We have come to the conclusion that neither the old nor the new copyright law proscribes, the registration of works commissioned by the Government for copyright, and that Congress possessed the power to enact these laws. In addition, when there is no allegation that the Government and the contractor have attempted to subvert the copyright laws through an assignment subsequent to registration of a commissioned work, we find that the copyright laws, in their present as well as former incarnation, will permit such an assignment. Therefore we agree with the District Court that, with respect to the copyright laws, the appellants have failed to state a claim for which relief may be granted against the AO, WQED, PBS, and the Register of Copyrights. Since the complaint fails to allege that WETA took any action with respect to the registration or assignment of the copyright in "Equal Justice Under Law," it has, on this point, also failed as a matter of law against WETA.

IV

[12] Appellants contend that the application of the copyright laws to works commissioned by the Government is, if authorized by Congress, violative of the First Amendment. Before analyzing the merits, if any, of their argument, we must first inquire into their standing to raise it. The complaint did not allege that the appellants were denied access to the works of a willing speaker by the existence of the copyright. Therefore, the doctrine that the First Amendment protects the right of the listener to receive information from a willing speaker would appear to have no relevance to the instant case. See *Virginia State Board of Pharmacy v. Virginia Citizens Consumer Council*, 425 U.S. 748, 756-57, 96 S.Ct. 1817, 1822-1823, 48 L.Ed.2d 346 (1976); see generally Note, *The Right to Know in First Amendment Analysis*, 57 Tex.L.Rev. 505 (1979).

[13] Nor can we treat the complaint's allegation that those not living within the range of a signal from a public television station are injured by the failure of defendants to make the work available to commercial broadcasters, because appellant Schnapper, according to the Complaint, lives within the area served by public television station WETA. Complaint ¶8. His attempted representation of those living in areas not served by public broadcasting constitutes an assertion of the interests of third parties, and we cannot, under the standards articulated in *Singleton v. Wulff*, 428 U.S. 106, 96 S.Ct. 2868, 49 L.Ed.2d 826 (1978), countenance this endeavor.

In *Singleton*, the Supreme Court reached the conclusion that a doctor could assert the interests of potential patients in challenging a state law forbidding the expenditure of Medicaid funds for abortions by applying standards intended as rules of decision for all claims of *jus tertii*. We are thus bound to apply them in this case. The Court first looked to determine whether the interests of plaintiff and the third party were inextricably

intertwined, and found such a connection in the relationship of doctor to patient. 428 U.S. at 114–15, 96 S.Ct. at 2874. We find no such relationship between those who can watch public television, and those who cannot. What affects one group need not and most likely would not affect the other. Second, the Court examined whether the third party could adequately represent its own interests, and found that impecunious pregnant women are unlikely to do so. 428 U.S. at 116–17, 96 S.Ct. at 2875. We see no obstacle to the institution and prosecution of a civil action by the third parties in this case.

The rationale for the stringent application of the doctrine of *jus tertii* to bar most assertions of third-party claims is also directly relevant to this litigation. The *Singleton* Court explained that *jus tertii* was based in part on the notion that “the courts should not adjudicate such rights unnecessarily, and it may be that in fact the holders of those rights either do not wish to assert them, or will be able to enjoy them regardless of whether the in-court litigant is successful or not.” 428 U.S. at 113–14, 96 S.Ct. at 2873–2874. It may be that no one other than appellants is at all concerned about the existence of a copyright in “Equal Justice Under Law,” or that those to whom public broadcasting is not available have no interest in the films, or have arranged for alternative access, or even that few, if anyone, live within range of commercial, but not public broadcasting. For these reasons, we are compelled to dismiss appellants’ efforts to assert the purported First Amendment interests of these third parties.

[14] The final threshold matter is appellants’ allegation of injury to itself and the purported class of viewers of WETA residing in WETA’s supposed failure to show all five films in the series. We are compelled to conclude that the appellants lack standing to maintain this claim, because they have failed to allege any link between the illegal conduct alleged, which is the maintenance of the copyright, and the purported injury, which is their inability to watch the entire series on WETA.

To satisfy the constitutional requirements for standing, a plaintiff must assert that the actual or threatened injury is “a result of the putatively illegal conduct of the defendant.” *Gladstone, Realtors v. Village of Bellwood*, 441 U.S. 91, 99, 99 S.Ct. 1601, 1607, 60 L.Ed.2d 66 (1979). But appellants do not allege that WETA’s failure to show the complete series was caused by its inability to do so on the basis of the copyright. In addition, the plaintiff “must always have suffered ‘a distinct and palpable injury to himself’. . . likely to be redressed if the requested relief is granted.” 441 U.S. at 100, 99 S.Ct. at 1608 (citations omitted). Once again, there is no allegation, and no reason to believe, that voiding the copyright would induce WETA to air the complete series.

Appellants’ surviving First Amendment claims number but two: (1) that they have a constitutional right to reprint the screen-plays for commercial gain, and (2) that the defendants acted unconstitutionally in failing to

disclose the extent of government involvement in the series. Neither is meritorious.

Appellants' assertion of a right to a compulsory license for the republication of the scripts in book form is presumably based upon the First Amendment, because they have not argued that any provision of the Copyright Act, either old or new, requires the compulsory licensing of copyrighted works, with certain exceptions not relevant here, *e.g.*, 17 U.S.C. §§ 111(c), 115 (Supp. I 1977).⁴ Appellants do not allege whether they would pay WQED for these reprint rights, and their post-argument correspondence strongly suggests that they would not, inasmuch as they requested WQED to "waive" its copyright, rather than consider the sale of a license. However, the face of their complaint leaves open the possibility that they would pay royalties, and our analysis will proceed from the presumption that what they are asking for is a forced sale of the rights at issue.

[15] The appellants have not indicated which First Amendment interests they feel would be served by judicial creation of a compulsory licensing scheme in derogation of the law of copyright as passed by Congress. We conclude that in this case, where there is no judicially cognizable allegation that the interested public has been denied access to these works, the balance of the First Amendment interests is, if anything, tilted in the direction of the holders of copyrights.

It was Chief Judge Fuld who noted that important free speech interests are served by allowing the creator of a copyrighted work to publish it as he saw fit:

Copyright . . . rests on the assumption that there are forms of expression, limited in kind, to be sure, which should not be divulged to the public without the consent of their author. The purpose, far from being restrictive, is to encourage and protect intellectual labor The essential thrust of the First Amendment is to prohibit improper restraints on the *voluntary* public expression of ideas; it shields the man who wants to speak or publish when others wish him to be quiet. There is necessarily, and within suitably defined areas, a concomitant freedom *not* to speak publicly, one which serves the same ultimate end as freedom of speech in its affirmative aspect.

Estate of Hemingway v. Random House, 23 N.Y.2d 341, 348, 244 N.E.2d 250, 255, 296 N.Y.S.2d 771, 778 (1968). We see no reason why the same freedom should not be granted to the unwilling speaker when it is a public

⁴Unless there is a specific exception, we take Congress to have vested in the copyright holder the liberty not to license rights in his work. Section 201(e) of the new Act is a general prohibition against recognizing involuntary transfers except in bankruptcy, 17 U.S.C. § 201(e) (Supp. III 1979). The legislative history states: "The purpose of this subsection is to reaffirm the basic principle that the United States copyright of an individual author shall be secured to that author, and cannot be taken away by any involuntary transfer." H.R. Rep No. 1476, 94th Cong., 2d Sess. 123 (1976), U.S. Code Cong. & Admin. News 1976, p. 5739.

television station. There is no question but that these non-commercial broadcasters "are fully protected by the First Amendment." *Community-Service Broadcasting v. FCC*, 593 F.2d 1102, 1110 (D.C.Cir.1978) (en banc).

Chief Judge Fuld's statements explain why this court should not compel WQED to issue a license even if offered a royalty or other payment. The First Amendment interests to which he adverted are not based upon a desire for pecuniary gain, but upon the author's freedom to speak or remain silent as an end in itself. The protection of the right of the speaker to remain silent has been of continuing concern to First Amendment jurisprudence. In discussing the media's right to refrain from transmitting the words of diverse parties, Professor Schmidt has stated:

[T]he tradition of the First Amendment, and important decisions related to this tradition, define a scope for the Amendment that is not instrumental, not designed to shape the political process, and not a policy of efficiency in democratic self-governance. Against a historical perspective of religious and political autonomy required access assumes a more questionable theoretical posture.

B. Schmidt, Jr., *Freedom of the Press vs. Public Access* 35 (1976).⁵ We therefore conclude that the liberty of WQED to grant or deny a license to appellants, either gratuitously or for compensation, does not offend either the First Amendment or its underlying values.⁶

[16] For similar reasons, we are not inclined to grant appellants' request that we require public broadcasters to, in the words of the complaint, "disclose[] the existence or extent of government control of the content of the films," Complaint ¶15, on First Amendment grounds. The First Amendment cannot be used to force the unwilling author to speak when he would rather remain silent, as we have just explained *supra*.⁷

⁵Closely related to the author's right to remain silent is the author's right to limit the subsequent use of his work to protect his artistic reputation. This interest has been recognized by Congress in the new Copyright Act. Note, *An Author's Artistic Reputation under the Copyright Act of 1976*, 92 Harv.L.Rev. 1490 (1979). The commentator concludes:

The 1976 Copyright Act may be interpreted to afford authors a limited right of artistic reputation in their works. By granting authors rights against the unauthorized use of their works, including failure to reproduce the work as the author created it, the Act allows an author to secure her reputation in a literary or artistic work.

Note, *supra*, at 1515. We think that this provides further support for our conclusion that the goals of the copyright law and the First Amendment do not conflict.

⁶Nothing in the preceding discussion is intended to cast any doubt upon the constitutionality of the compulsory-licensing schemes in the new Copyright Act.

⁷We could as well dismiss this allegation on standing grounds. As appellant Schnapper presumably knows who financed the films and exercised "control" over them, he is hard put to aver that he has been injured by the appellees' supposed failure to disclose. And since his knowledge presumably sets him apart from the class he purports to represent, he is both an unsuitable representative of said class and is once again attempting to assert the interests of

Underlying the appellants' First Amendment assault on the copyright obtained for "Equal Justice Under Law" is their professed concern that the Government may one day attempt to use the copyright law as an instrument of censorship. They seem to argue that if the Pentagon Papers could have been copyrighted, their publication could have been enjoined. Appellants' Br. at 35-36. We think that Justice Brennan, concurring in the Pentagon Papers case, *New York Times Co. v. United States*, 403 U.S. 713, 726 n.*, 91 S.Ct. 2140, 2147, 29 L.Ed.2d 822 (1971), put this fear to rest:

[C]opyright cases have no pertinence here; the Government is not asserting an interest in the particular form of words chosen in the documents, but is seeking to suppress the ideas expressed therein. And the copyright laws, of course, protect only the form of expression and not the ideas expressed.

We are aware that there is at least a theoretical possibility that some copyright laws may be used by some nations as instruments of censorship. Fears had been expressed, for example, that the Soviet Union would, through use of a compulsory-assignment provision in its domestic copyright laws, attempt to prevent foreign publication of dissident works whose copyright it had assumed. See Newcity, *The Universal Copyright Convention as an Instrument of Repression: The Soviet Experiment* in Copyright Law Symposium No. 24 (1980). The congressional response to this perceived threat was 17 U.S.C. § 201(e) (Supp. I 1977), protecting authors from involuntary transfers. See H.R.Rep.No.1476, 94th Cong., 2d Sess. 123 (1976), U.S.Code Cong. & Admin.News 1976, p. 5669, note 4 *supra*.

We are unaware, however, of any effort on the part of the United States Government to throttle free expression through use of the copyright laws, and we are not inclined to hypothesize such an effort nor to hand down a decision invalidating an act of Congress on that hypothetical basis. It is important in this regard to recall that there is no tenable allegation in this case that any person interested in viewing "Equal Justice Under Law" has been denied the opportunity to do so, or that copies of the films and their scripts are other than freely available for public inspection.

We are confident that should the day come when the Government denies someone access to a work produced at its direction on the basis of a copyright, and if the doctrine of fair use and the distinction between an idea

unrelated third parties perfectly capable of protecting themselves. We note that he does not seek *more* information with respect to the various roles of the several appellees in the production of "Equal Justice Under Law," and that he has not alleged that this further information is not forthcoming from appellees. He is therefore unable to predicate standing upon an informational interest. See *Scientists' Institute for Public Information v. AEC*, 481 F.2d 1079, 1086-87 n. 29 (D.C.Cir.1973); Note, *Informational Interests as a Basis for Standing*, 79 Colum.L.Rev. 366 (1979).

and its expression fail to vindicate adequately that person's interests—although we have no reason to believe that they would—the courts of the United States would on the basis of facts, not hypotheses, consider afresh the First Amendment interests implicated thereby. We are sure that they will comprehend the difference between that case and this one.

V

Appellants contend that three other legal bases support their various requests for injunctive and declaratory relief. We conclude that they do not.

[17] Appellants' request for relief under the Public Broadcasting Act fails because that statute provides no private right of action that is available to the appellants. *Network Project v. Corporation for Public Broadcasting*, 561 F.2d 963, 972–76 (D.C.Cir.1977), *cert. denied*, 434 U.S. 1068, 98 S.Ct. 1247, 55 L.Ed.2d 770 (1978). Contrary to appellants' assertions, nothing in *Community-Service Broadcasting v. FCC*, 593 F.2d 1102 (D.C.Cir.1978) (en banc), which was a challenge mounted by broadcasters on constitutional grounds, places the holding of *Network Project* in any doubt. *See* 593 F.2d at 1109–10.

[18] Appellants lack standing to sue under the Property Clause, art. IV, sec. 3, because they are unable to allege an injury to an interest that the Framers of the Property Clause sought to protect. The intentment of article IV, section 3, this court has held, was “to preserve both federal claims and conflicting state claims to certain portions of” unsettled lands west of the Allegheny Mountains. *Edwards v. Carter*, 580 F.2d 1055, 1059 (D.C.Cir.), *cert. denied*, 436 U.S. 907, 98 S.Ct. 2240, 56 L.Ed.2d 406 (1978). Although the historical basis of the Property Clause may not limit congressional power to legislate with respect to it, 580 F.2d at 1059, it does serve to narrow the class of persons who can predicate standing upon the Property Clause. It has been established that taxpayer standing is never available to those asserting a Property Clause claim. *Public Citizen v. Sampson*, 379 F.Supp. 662 (D.D.C.1974), *aff'd*, 515 F.2d 1018 (D.C.Cir. 1975). We think that neither an interest in the commercial republication of copyrighted material nor an interest in government disclosure is protected by the Property Clause. Appellants, unable to demonstrate injury in fact to an interest that the Property Clause arguably protects, lack standing to sue. *Association of Data Processing Service Organizations v. Camp*, 397 U.S. 150, 152–54, 90 S.Ct. 827, 829–830, 25 L.Ed.2d 184 (1970). Our disposition on this preliminary ground enables us to pretermite the question of whether anyone may assert a judicially cognizable claim for relief under the Property Clause, as well as the merits, if any, of appellants' claim.

[19, 20] Finally, appellants may not maintain their claim on the basis of section 309(a) of the Communications Act of 1934, 47 U.S.C. § 309(a)

(1976). That section vests the Federal Communications Commission with the authority and the duty to determine whether granting a broadcast license to a particular applicant would serve the public interest, convenience, and necessity. It is the law of this court that it may not determine the disposition of controversies that Congress has committed to the discretion of the FCC. *American Broadcasting Co. v. FCC*, 191 F.2d 492, 501-02 & n.12 (D.C.Cir.1951); *see also Scripps-Howard Radio v. FCC*, 316 U.S. 4, 14, 62 S.Ct. 875, 882, 86 L.Ed. 1229 (1942); *FCC v. Pottsville Broadcasting Co.*, 309 U.S. 134, 137-38, 60 S.Ct. 437, 438-439, 84 L.Ed. 656 (1940).⁵ The FCC is the exclusive forum for appellants' claims that producing and broadcasting "Equal Justice Under Law" disserved the public interest contrary to section 309(a).

VI

The judgment of the District Court from which this appeal was taken is **AFFIRMED**.

IT IS SO ORDERED.

SIGNO TRADING INTERNATIONAL LTD., a New York corporation,
Plaintiff, v. **Ron GORDON** and **Friends-Amis, Inc.**, a California corporation,
Defendants

No. C-80-4044

(United States District Court, N. D. California—April 10, 1981)

535 F.Supp. 362. 214 USPQ 793

Translator, who had been commissioned by manufacturer of electronic translator to translate English words into Arabic counterparts, brought action against manufacturer for copyright infringement, breach of confidential relationship, interference with contract, breach of copyright licensing agreement, breach of contract, and fraud. Manufacturer moved for summary judgment on the copyright claims. The District Court, Henderson, J.,

⁵For other examples of judicial refusal to imply private causes of action under the Communications Act, *see Daly v. CBS*, 309 F.2d 83, 85-86 (7th Cir. 1962); *Post v. Payton*, 323 F.Supp. 799, 801-02 (S.D.N.Y.1971); *Gordon v. NBC*, 287 F.Supp. 452, 455 (S.D.N.Y.1968). *Contra, Lorentz v. Westinghouse Electric Corp.*, 472 F.Supp. 946 (N.D.Pa. 1979) (suit for damages allowed under Communications Act because Commission could not award comparable relief).

held that list of words translated from English into Arabic and then transliterated from Arabic into Roman letters was not copyrightable where translation of word list was fairly mechanical process requiring little if any originality, choice of Arabic words from variety of Arabic dialects did not constitute sufficient originality, and phonetic spelling did not embody sufficient originality.

Motion granted.

1. Copyrights and Intellectual Property

List of words translated from English into Arabic and then transliterated from Arabic into Roman letters was not copyrightable where translation of word list was fairly mechanical process requiring little if any originality, choice of Arabic words from variety of Arabic dialects did not constitute sufficient originality, and phonetic spelling did not embody sufficient originality. 17 U.S.C.A. § 103(a, b).

2. Copyrights and Intellectual Property

Phonetic spelling of foreign words, using standard Roman letters, does not embody sufficient originality to be copyrightable. 17 U.S.C.A. § 103(a, b).

3. Copyrights and Intellectual Property

List of words may be copyrightable if selection and arrangement of those words embodies requisite originality.

4. Copyrights and Intellectual Property

Translator, who translated English words into Arabic counterparts for manufacturer of hand-held electronic translators, could not claim copyright in list of words not only because list did not embody requisite originality but also because manufacturer and not translator originally selected words for list.

5. Copyrights and Intellectual Property

Particular expression of idea may be copyrighted, but idea itself and its use may not be copyrighted. 17 U.S.C.A. § 102(b).

6. Copyrights and Intellectual Property

Translator of English words into Arabic counterparts could not claim copyright in list of Arabic words transliterated into Roman letters and phonetic spelling since transliterations were not expression of idea but application of idea of combining Roman letters to obtain various sounds of Arabic words. 17 U.S.C.A. § 102(b).

Jonathan J. Wilcox and Edwin C. Holmer, III, Mills & Wilcox, San Francisco, Cal., for plaintiff.

Stuart R. Pollak and Jay M. Spears, Howard, Prim, Rice, Nemerovski, Canady, & Pollak, San Francisco, Cal., for defendants.

ORDER GRANTING DEFENDANT'S MOTION FOR DISMISSAL OF THE FIRST AND FOURTH CAUSES OF ACTION AND DENYING DEFENDANT'S MOTION FOR A MORE DEFINITE STATEMENT.

HENDERSON, *District Judge*. This case arises from ultimately unsuccessful negotiations for the purchase by Plaintiff of hand-held electronic translators from Defendant. (Defendant Friends-Amis, Inc. and its

president, Defendant Ron Gordon, will be referred to collectively as "Defendant.") These translators were to translate English words into their Arabic counterparts, spelled phonetically using Roman letters. Plaintiff has alleged claims for copyright infringement, breach of confidential relationship, interferences with contract, breach of licensing agreement, breach of contract, and fraud.

I. MOTION TO DISMISS

a. *Facts*

Defendant asks that Plaintiff's first and fourth causes of action, which assert claims for copyright infringement and for breach of a copyright licensing agreement, be dismissed for failure to state a claim pursuant to Rule 12(b)(6) of the Federal Rules of Civil Procedure. The determinative question is whether Plaintiff holds a valid copyright. The relevant allegations, which for the purpose of this motion are assumed to be true, are as follows:

Defendant, a manufacturer of electronic translators, provided Plaintiff with its list of standard English words and phrases. The word list consists of approximately 850 single words and approximately 45 short phrases, generally two or three words in length, much as "how are you." Pursuant to an agreement with Defendant, Plaintiff translated the English words into the corresponding Arabic words and then transliterated those Arabic words into Roman letters and phonetic spellings. Defendant abrogated its business deal with Plaintiff and, without Plaintiff's consent, subsequently sold English-Arabic translators to other customers using the transliterations compiled by Plaintiff. Plaintiff has registered its copyright claim to the list of transliterations, and alleges that Defendant has infringed that copyright.

Although the English word list may be copyrightable, see *Schroeder v. William Morrow & Co.*, 566 F.2d 3, 5 (7th Cir. 1977), it clearly is not copyrightable by Plaintiff because it was devised by Defendant. 17 U.S.C. § 103(b). The only question then is whether Plaintiff's translations and transliterations are copyrightable.

b. *Originality*

[1] To be copyrightable, Plaintiff's translations or transliterations must embody an element of originality. 17 U.S.C. § 102(a); see generally 1 *M. Nimmer on Copyright* § 2.01 *et seq.* (1980); P. Goldstein, *Copyright, Patent, Trademark and Related State Doctrines* 633-45 (1973). While the issue of originality is often a question of fact, *Dezendorf v. Twentieth Century-Fox Film Corp.*, 99 F.2d 850 (9th Cir. 1938), it may also be determined as a matter of law in appropriate circumstances. *E.g.*, *Smith v.*

George E. Muehlebach Brewing Co., 140 F.Supp. 729 (W.D.Mo.1956); *Norden v. Oliver Ditson Co.*, 13 F.Supp. 415 (D.Mass.1936).

Translations of many things, such as literary works, are copyrightable to the extent that the translation involves originality. 17 U.S.C. § 103(b); *Nimmer, supra*, § 3.04. It is not the translations of the individual words that makes these works copyrightable, it is rather the originality embodied in the translator's contributions, for example, conveying nuances and subtleties in the translated work as a whole. Such originality is lacking from Plaintiff's translations of the single words and short phrases. Once it is determined what dialect is to be used, the translation of the word list, consisting primarily of single words, is a fairly mechanical process requiring little if any originality.

Plaintiff argues, however, that its choice of Arabic words from a variety of Arabic dialects and in some cases from several synonyms constitutes sufficient originality. These choices were made after considering the identity and purposes of the likely speakers and listeners. This may have involved considerable effort by Plaintiff, but effort is not the touchstone of originality. Plaintiff's effort was primarily a matter of determining the dialect spoken in the area where the translators were intended to be used and does not constitute an element of originality sufficient to make the translations copyrightable.

[2] Plaintiff further argues, that the transliterating of the Arabic words, in particular the selection of various Roman letters and combinations of Roman letters to create a phonetic sound as close as possible to the Arabic word, embodies sufficient originality to make the transliterations copyrightable. As with the translations, Plaintiff points out that this selection involves consideration of who the likely speakers and listeners will be. These transliterations, however, lack sufficient originality for the same reason that the translations lack originality. The phonetic spelling of foreign words, using standard Roman letters, simply does not embody sufficient originality to be copyrightable. *Cf. Brief English Systems v. Owen*, 48 F.2d 555, 556 (2nd Cir.), cert. denied, 283 U.S. 858, 51 S.Ct. 650, 75 L.Ed. 1464 (1931) (shorthand spellings not copyrightable). Indeed, the transliterations are only effective to the extent that the pronunciations are obvious and do not involve originality.

[3, 4] The fact that the translations/transliterations comprise a list can also not support a claim of originality for Plaintiff. A list of words may be copyrightable if the selection and arrangement of those words embodies the requisite originality. *See Schroeder, supra*. In this case, however, it was Defendant, not Plaintiff, who originally selected the words which comprise the list.

Because Plaintiff's translations and transliterations lack the requisite originality, Plaintiff's copyright is not valid.

c. *Use of an Idea*

[5] There is a second, related reason that Plaintiff's copyright is not valid. It is well established that a particular expression of an idea may be copyrighted, but the idea itself and its use may not be copyrighted. *Baker v. Selden*, 101 U.S. 99, 25 L.Ed. 841 (1880). This principle, which is now codified, 17 U.S.C. § 102(b), "attempts to reconcile two competing social interests: rewarding an individual's creativity and effort while at the same time permitting the nation to enjoy the benefits and progress from use of the same subject matter." *Sid & Marty Kroft Television Productions, Inc. v. McDonald's Corp.*, 562 F.2d 1157, 1163 (9th Cir. 1977).

Under this principle, for example, an explanation of a system of shorthand is copyrightable, but neither the use of that system nor the shorthand spellings found in that work are copyrightable. Furthermore, the copyright on the explanation of the system does not bar others from writing their own explanations of the same system. *Brief English Systems, supra*.

In this case, Plaintiff might be able to copyright an explanation of its system of translation and transliteration, but it cannot copyright the use of that system or the particular transliterations which result from its application.

[6] Plaintiff's argument that the transliterations are themselves the expression of an idea, and therefore copyrightable, is not persuasive. The "idea" is the method of combining roman letters to obtain various sounds, and its expression would be an explanation of this method. *See Brief English Systems, supra*. Plaintiff's transliterations are an application of the idea, not its expression, and as such are not copyrightable. (Even if Plaintiff is correct, and the expression and the application of the idea are inseparable, it would still not be clear that the transliterations are copyrightable. *See Crume v. Pacific Mutual Life Ins. Co.*, 140 F.2d 182, 184 (7th Cir.), *cert. denied*, 322 U.S. 755, 64 S.Ct. 1265, 88 L.Ed. 1584 (1944) (no copyright protection for an explanation of a plan or method to the extent that the explanation is inseparable from the use of the plan or method); *Long v. Jordan*, 29 F.Supp. 287 (N.D.Cal.1939).)

d. *Conclusion*

It is inconceivable that anyone could copyright a single word or a commonly used short phrase, in any language. *See Dorsey v. Old Surety Life Ins. Co.*, 98 F.2d 872, 873 (10th Cir. 1938). It is also inconceivable that a valid copyright could be obtained for a phonetic spelling, using standard Roman letters, of such words or phrases. *See Brief English Systems*, 48 F.2d at 556. Although lists of words and translations of larger works may be copyrightable, Plaintiff cannot claim credit for any of the elements which make those things copyrightable. For these reasons, Plaintiff does not hold a valid copyright on the translations or transliterations, and

Defendant's motion to dismiss the first and fourth causes of action is therefore GRANTED. This ruling makes it unnecessary to reach Defendant's alternative motion for summary judgment.

II. MOTION FOR MORE DEFINITE STATEMENT

Defendant's motion for a more definite statement is DENIED. Plaintiff's complaint is not so vague or ambiguous that Defendant cannot reasonably be required to frame a responsive pleading. *See* Fed.R.Civ.P. 12(e); 5 C. Wright and A. Miller, *Federal Practice and Procedure* § 1377. SO ORDERED.

SOUTH-WESTERN PUBLISHING COMPANY, a corporation,
Plaintiff-Appellee, v. **Harry SIMONS**, Defendant-Appellant

Harry SIMONS, Plaintiff-Appellant, v. **SOUTH-WESTERN PUBLISHING CO.**, a corporation, Defendant-Appellee

Nos. 79-3035, 79-3034

*(United States Court of Appeals, Ninth Circuit — Argued and Submitted
March 2, 1981 — Decided July 20, 1981)*

651 F.2d 653. 210 USPQ 883

[See also *Simons v. South-Western Publishing Co.*, 455 U.S. 1018, 102 S.Ct. 1714, 72 L.Ed.2d 136 (U.S. Sup. Ct. — *Certiorari denied*, Mar. 22, 1982)]

Publisher sued author of accounting textbooks for breach of contract and author sued publisher for infringement. The United States District Court for the Central District of California, David W. Williams, J., dismissed infringement action and found author in breach, and author appealed. The Court of Appeals, Goodwin, Circuit Judge, held that: (1) word "copyright" in original contract was intended to encompass both original and renewal copyrights and such renewals belonged to publisher; (2) contract vested in publisher the decision whether revision was needed; (3) publisher's request that texts be revised at no greater than five-year intervals was justified; and (4) publisher did not breach agreement by refusing to pay author royalties beyond one edition after last edition on which he worked. Affirmed.

1. Federal Courts

An appellate court may affirm on the basis of any record evidence that supports trial court's judgment.

2. Federal Courts

Failure to make an express finding of fact by the district court does not require remand if a complete understanding of the issues may be had without the aid of separate findings.

3. Copyrights and Intellectual Property

Where original contract between publisher and author specified that publisher was to obtain copyrights and publisher did so without objection from author and although first contract did not specify who owned renewal copyrights as well as original copyrights, every subsequent contract expressly transferred to publisher both original and renewal copyrights to each revision, such acts confirmed that word "copyright" in original contract was intended to encompass both original and renewal copyrights and, hence, that such belonged to the publisher, sued by author for infringement.

4. Copyrights and Intellectual Property

Finding that provision of contract between publisher and author that author agreed to prepare a revision whenever in judgment of publisher such was considered necessary and that in event author was unwilling to or failed to prepare said revision in manner satisfactory to publisher the publisher had right to obtain a new author vested in publisher, and not in reviser, decision as to whether revision was needed was not clearly erroneous.

5. Copyrights and Intellectual Property

Publisher's request, under agreement with author concerning periodic revisions, that accounting texts be revised at no greater than five-year intervals was justified and evidence in publisher's action for a breach of contract demonstrated that it sought revision to meet competition.

6. Copyrights and Intellectual Property

Contract provision whereby author agreed to prepare revision of accounting manuscript whenever, in judgment of publisher, such was considered necessary could properly be construed to require author to revise the text during author's lifetime, notwithstanding that such provision was agreed to before author had become well known.

7. Contracts

Parties are entitled to contract for anything that is not illegal.

8. Copyrights and Intellectual Property

Where publisher of accounting textbooks had contract right to hire a new author in event original author failed to revise the words and to make such division of royalty on new additions as it deemed necessary to obtain satisfactory authorship, offering original author, after breach, 9% and 9¼% for fifth and sixth editions was not improper as trial court found that offer was a reasonable allocation in view of royalties paid authors hired to revise the texts after original author refused and original author was offered more than 50% of royalty on fifth and sixth editions even though he never revised the fifth edition and it was never published and although he worked on sixth edition he refused to complete it.

9. Copyrights and Intellectual Property

Where publisher had contract right to hire a new author in event original author breached contract by failing to revise accounting texts and original author breached contracts to revise fourth and fifth editions, publisher, which was found to own copyrights, did not breach agreement by refusing to pay royalties on texts subsequent to the fifth and sixth editions.

Mitchell N. Reinis, Reinis & Fink, Beverly Hills, Cal., for Harry Simons.

Neil M. Soltman, Los Angeles, Cal., argued, for South-Western Pub.;
Ralph W. Dau, O'Melveny & Myers, Los Angeles, Cal., on brief.

Appeal from the United States District Court for the Central District of California.

Before GOODWIN and FERGUSON, Circuit Judges, and MURPHY,* District Judge.

GOODWIN, *Circuit Judge*.

FACTS

Harry Simons, an author, appeals from a judgment dismissing his copyright infringement action, and holding him in breach of a contract with his publisher, South-Western Publishing co. We affirm.

In 1941, Simons, then a young U.S.L.A. professor, agreed with South-Western Publishing to prepare an accounting textbook. He wrote the book in collaboration with two others and published it late that year. In 1949, after Simons' co-authors had assigned to him their rights in the book, Simons agreed with South-Western to revise the 1941 textbook and divide it into two books: Advanced Accounting and Intermediate Accounting. Both texts were published in 1949. Periodically thereafter, Simons and South-Western entered into contracts to revise the texts. The contracts in dispute here were made in 1966 and 1970. South-Western contends that paragraph A(7) of the two contracts requires Simons to revise the fourth and fifth editions of the two books into the fifth and sixth editions; and that if Simons fails to revise, South-Western is free to hire other authors to do the job, and pay Simons any royalties it sees fit.

Simons contends that he owns the renewal copyrights to the 1949 basic texts, and that South-Western's continued publication of the revised editions without his consent infringes his copyright. It is Simons' position that paragraph A(7) does not require him to revise the texts, and even if it does, the contracts do not permit South-Western to continue publishing "his" works without paying him adequate compensation.

The district court found: (1) that the renewal copyrights and all other copyrights belonged to South-Western; (2) that Simons breached his contract with South-Western by failing to revise; and (3) that South-Western properly paid Simons enough royalties for the fifth and sixth editions and properly discontinued all royalty payments to him for the publication of subsequent texts.

STANDARD OF REVIEW

The district court made detailed findings of fact. The findings taken as a whole are "explicit enough to give the appellate court a clear understanding of the basis of the trial court's decision, and to enable it to determine

*The Honorable Thomas F. Murphy, Senior United States District Judge for the Southern District of New York, sitting by designation.

the ground on which the trial court reached its decision." *Alpha Distrib. Co. of Cal. Inc. v. Jack Daniel Distillery*, 454 F.2d 442, 453 (9th Cir. 1972), *cert. denied*, 419 U.S. 842, 95 S.Ct. 74, 42 L.Ed.2d 70 (1974).

Because it is not our function as an appellate court to retry the issues of fact, we review the factual determinations made by the district court according to Fed.R.Civ.P. 52. Here we review contractual interpretation, an exercise which involved contractual meaning and intent, questions of fact for the trial court. *Gillespie v. Travellers Ins. Co.*, 486 F.2d 281, 283 (9th Cir. 1973). Therefore, unless the findings are clearly erroneous, they satisfy Rule 52.

INFRINGEMENT

Simons contends that South-Western is infringing his renewal copyrights to the 1949 basic text. To prevail on this claim, Simons must establish that he alone is entitled to the renewal copyrights. South-Western contends that Simons assigned to it the renewals at the time of their first contractual agreement. The issue is therefore a matter of contractual intent.¹ Did Simons assign the renewals to South-Western in return for royalties?

[1-3] The district court necessarily found that Simons assigned his renewal rights. While the court made no express factual finding of an assignment, the evidence supports the court's conclusion which is reflected in the judgment.² The original contract between South-Western and Simons specified that South-Western obtain the copyrights. This South-Western did without objection from Simons. Although the first contract did not specify whether South-Western was to own the renewal copyrights as well as the original copyrights, every contract between Simons and South-Western after 1949 expressly transferred to South-Western both the original and renewal copyrights to each revision. These latter acts confirm that the word "copyright" in the original contract was intended by the parties to encompass both the original and renewal copyrights. The district court's finding that the renewals belonged to South-Western satisfies Rule 52. It follows that South-Western did not infringe Simons' copyrights.

¹2 Nimmer on Copyright, § 9.06[A] at 9-68 (1980), states:

"Whether . . . [an] assignment (or license) will be construed as purporting to convey rights in the renewal copyright ultimately turns on the intention of the parties, and as such presents an issue of fact. . . ."

See also *Picture Music, Inc. v. Bourne, Inc.*, 314 F.Supp. 640, 648 (S.D.N.Y.1970), *aff'd on other grounds*, 457 F.2d 1213 (2nd Cir.), *cert. denied*, 409 U.S. 997, 93 S.Ct. 320, 34 L.Ed.2d 262 (1972).

²An appellate court may affirm on the basis of any evidence in the record that supports the trial court's judgment. The failure to make an express finding of fact by the district court "does not require remand if a complete understanding of the issues may be had without the aid of separate findings." *Swanson v. Levy*, 509 F.2d 859, 861 (9th Cir. 1975); see also *United States v. Hudspeth*, 384 F.2d 683, 686 (9th Cir. 1967).

REVISION

The principal contractual paragraph at issue here is A(7), which reads the same for both contracts in dispute:

“(A) Author agrees. . . .

“ . . .

“(7) To prepare a revision of the manuscript satisfactory to and without expense to Publisher whenever, in the judgment of Publisher, this is considered necessary. In the event that Author is unwilling, unable, fails, or refuses to prepare said revised manuscript in a manner satisfactory to Publisher, Publisher may have right to obtain a new author or authors and to make such division of royalty on the new edition as Publisher deems necessary in order to obtain satisfactory authorship.”

South-Western argues that this language requires Simons to revise the texts for which the contract was made when South-Western requests revisions. Simons disputes this.

[4] The trial court found that paragraph A(7) of the contracts vests in South-Western, and not in the revisor, the decision as to whether a revision was needed. This finding satisfies Rule 52. Simons raises a number of frivolous points to rebut the trial court’s interpretation of the contract. But the plain language of A(7), as well as the evidence surrounding the intent of the parties on the meaning of A(7) fully supports the district court’s finding that South-Western bargained for the right to decide when a revision is needed.

BREACH

Paragraph A(7) empowered South-Western to revise the texts itself if Simons was “unwilling, unable, fail[ed] or refuse[d] to revise the texts.” The district court found that Simons had refused to perform. Its finding satisfies Rules 52. Simons does not even pretend that he performed either the 1966 or 1970 contracts.

In defense, Simons makes several arguments. They can be characterized as nonfrivolous only by extravagant deferral to artistic temperament. First, Simons alleges that his performance was excused and discharged by South-Western’s breach of contract in hiring other authors to revise Simons’ texts. This argument stands the contract on its head. South-Western hired the other authors only after Simons had breached the contract by refusing to revise the texts. In these circumstances, it was South-Western’s duty that was discharged, not Simons’ duty.

[5] Second, Simons contends that South-Western’s request to revise was “premature.” Paragraph A(7) of the contracts dictates that a revision must be prepared by Simons “whenever, in the judgment of the Publisher that is considered necessary.” The trial court found, and we agree, that this language vested in “South-Western, not in the revisor, the decision as to whether a revision was needed.” The trial court also found that South-

Western exercised its judgment reasonably. South-Western's requests that Simons revise "were made . . . [when they were] because, if South-Western were to meet its objective and adhere to the industry's revision schedule, commencement of efforts was needed . . . [at the time South-Western made the request]." This finding is also consistent with Rule 52. South-Western's request that the texts be revised at no greater than five year intervals was justified. Intervals of as little as three years between revisions are common in the educational textbook industry. *See e. g., McGraw-Hill, Inc. v. Worth Publishers, Inc.*, 335 F.Supp. 415, 418 (S.D.N.Y. 1971). The evidence amply demonstrates that South-Western made the request when it did in order to meet competition.

[6, 7] Simons also argues that the contracts could not possibly have required him to revise the texts in perpetuity. He contends that such a construction of the contract would be absurd. We do not agree. Parties are entitled to contract for anything that is not illegal. At the time Simons signed the contract, he may have been very willing to agree to revise the texts during his lifetime in order to secure a publisher. A court will not strike down such a contract merely because an author, after becoming well-known, might be unwilling to sign such a provision. Breach of contract was fully established by the evidence.

ROYALTIES

The renewal copyrights to the 1949 texts belong to South-Western. In exchange for their sale, Simons contracted with the publisher to receive royalties. The amount to which he is entitled is determined by the contract.

[8] Paragraph A(7) permits the publisher to hire a new author to complete the revision in the event the original author breaches the contract by failing to revise. The same paragraph also permits South-Western "to make such division of the royalty on the new addition as the Publisher deems necessary in order to obtain satisfactory authorship." Pursuant to A(7) South-Western offered Simons, after he breached, 9 per cent and 9¼ per cent for the fifth and sixth editions respectively. The court found that the offer was a reasonable allocation in view of the royalties South-Western had to pay the authors it hired to revise the texts after Simons refused. This finding was not clearly erroneous. Simons was offered more than 50 per cent of the royalty distributed on the fifth and sixth editions even though he never revised the fifth edition, and it was never published. Simons worked on the sixth edition, but did not complete it, and refused to complete it. The money he received for the work he did was at least reasonable compensation. The evidence fully supports the trial court's conclusion against additional royalties.

[9] South-Western refused to pay Simons royalties for texts subsequent to the fifth and sixth editions. The district court held that the refusal was justified, but the court did not make an express finding of fact that the

parties intended in paragraph A(7) that South-Western need not pay Simons royalties beyond one edition after the last edition on which he worked. The failure to make such a finding was not fatal.³ Evidence in the record supports the district court's holding. The issue is whether Simons sold his copyrights to South-Western in 1949 for royalties and in so doing contracted with South-Western not to be paid royalties beyond one edition after the last edition on which he worked. South-Western introduced at trial the testimony of its longstanding editor Mr. Crabbe that this was the bargain. South-Western also introduced letters it sent to Simons in the course of their business relationship that established Simons' awareness of the royalty termination policy. The evidence permitted the trial court to interpret the contract as it did. The court was correct in holding that South-Western no longer must pay Simons royalty for texts subsequent to the fifth and sixth editions.

Other issues were briefed and argued by Simons but do not warrant discussion.

AFFIRMED.

STERN ELECTRONICS, INC., Plaintiff, v. Harold **KAUFMAN**, d/b/a Bay Coin, Omni Video Games, Inc., Ferncrest Distributors, Inc., Frank Gaglione and Kevin McIntyre, Defendants

No. 80 C 3248

(United States District Court, E. D. New York—May 22, 1981)

523 F.Supp. 635. 213 USPQ 75

[See also 669 F.2d 852, 213 USPQ 443, 46 C.O.Bull.1232 (2d Cir.—*Affirmed*, Jan. 20, 1982)]

Distributor of video game sought a preliminary injunction to stop defendants from infringing its alleged copyright in the game and from infringing its alleged trademark in the game's name. The District Court, Nickerson, J., held that: (1) distributor of video game was entitled to preliminary injunction against defendants' sale of an allegedly substantially similar video game, since distributor established a substantial likelihood of irreparable injury and a probability that it would succeed on the merits in showing that it owned a copyright in the audiovisual display of its video game and that defendants copied such audiovisual display,

³See footnote 2, *supra*.

and (2) printing name on headboard attached to video games bearing different names, allegedly in anticipation of others' introduction of a new video game bearing the same name, did not constitute the bona fide usage required to establish a common-law trademark in name.

Order accordingly.

1. Copyrights and Intellectual Property

Distributor of video game was entitled to a preliminary injunction against defendants' sale of an allegedly substantially similar video game, since distributor established a substantial likelihood of irreparable injury and a probability that it would succeed on the merits in showing that it owned a copyright in the audiovisual display of its video game and that defendants copied such audiovisual display. 17 U.S.C.A. §§ 102, 411, 412.

2. Copyrights and Intellectual Property

Audiovisual display of a video game is an appropriate subject for copyright, even if the underlying computer program is not copyrighted. 17 U.S.C.A. § 101.

3. Copyrights and Intellectual Property

Even if attract mode were totally different in two video games, copying of the play mode would still constitute a copyright infringement.

4. Trade Regulation

Name "Scramble" as applied to video game was more suggestive than descriptive and was, therefore, a valid mark subject to trademark protection.

5. Trade Regulation

Generally, the first person to use a mark obtains an enforceable right to exclude others from using it, as long as the initial appropriation and use are accomplished by an intention to continue exploiting the mark commercially.

6. Trade Regulation

Printing name on headboards attached to video games bearing different names, allegedly in anticipation of others' introduction of a new video game bearing the same name, did not constitute the bona fide usage required to establish a common-law trademark in the name.

Blum, Kaplan, Friedman, Silberman & Beran, New York City (Steven B. Pokotilow, New York City, of counsel), Pigott, Gerstman & Ellis, Ltd., Chicago, Ill. (George Gerstman, Chicago, Ill., of counsel), for plaintiff.

Schulte, Roth & Zabel, New York City (Robert M. Abrahams, Aegis J. Frumento, New York City, of counsel), Adler, Pollock & Sheehan, Inc., Providence, R.I. (Richard W. MacAdams, Providence, R.I., of counsel), for defendants.

MEMORANDUM AND ORDER

NICKERSON, *District Judge*. On November 25, 1980 plaintiff Stern Electronics, Inc. (Stern) filed a complaint alleging that defendants infringed plaintiff's copyrights in its electronic video games "Kamikaze" and "Astro Invaders" by selling a virtually identical video game, "Zygon." On January 19, 1981, following a hearing on Stern's motion for a preliminarily injunction, defendants consented to the entry of an order preliminarily

enjoining them from infringing plaintiff's copyrights in "Kamikaze" and "Astro Invaders," and instructing them to deliver to the court for impoundment all "Zygon" games under their control.

On April 23, 1981 Stern filed an order to show cause seeking leave to file a supplemental complaint asserting new claims for copyright infringement and false designation of origin against defendants regarding the electronic video game "Scramble." Stern also sought a preliminary injunction to stop defendants from infringing plaintiff's copyright in "Scramble" and from using its "Scramble" trademark.

On May 6, 1981 defendant Omni Video Games, Inc. ("Omni") filed a complaint in the United States District Court for the District of Rhode Island alleging that Stern Electronics, Inc., ("Stern") was infringing Omni's common law trademark rights in the mark "Scramble." On May 8, 1981 Omni moved for preliminary injunctive relief in that case. That motion is apparently still pending.

On May 18, 1981, just prior to the hearing in this court on Stern's motion, defendants filed a cross-motion requesting relief identical to that requested in the District Court for Rhode Island. Stern then filed an order to show cause seeking to restrain Omni from prosecuting its motion for a preliminary injunction in Rhode Island pending final determination of the motion before this court.

I.

Late in 1980 a Japanese corporation, Konami Industry Co., Ltd. ("Konami") devised a new electronic video game named "Scramble." The work was first published in Japan on January 8, 1981 and first came to Stern's attention early that same month at the Amusement Trade Exhibit in London, England. On January 27, 1981 Konami granted an exclusive license to distribute "Scramble" in North and South America to Universe Affiliated International, Inc. ("Universe"), a New Jersey corporation, which simultaneously granted an exclusive sub-license to Stern. Stern began selling "Scramble" in the United States on March 17, 1981.

A Certificate of Copyright Registration for the audiovisual work "Scramble" was issued to Konami on April 14, 1981 by the United States Copyright Office. Documents reciting the exclusive license to Universe and the exclusive sub-license to Stern were recorded with the Copyright Office on April 16, 1981.

Around December 1, 1980 defendant Frank Gaglione, President of Omni, ordered ten silk screen name plates bearing the name "Scramble" from BCA Poster Co. Omni received the name plates on December 15, 1980 and on December 23 began to sell its "Space Guerilla," "Space Carrier," and "Rally-X" video games with headboards bearing the "Scramble" name plates. The invoices indicate that five games were sold before March 17, 1981 bearing the "Scramble" name plate.

Sometime in April 1981, defendant Omni began to sell a video game called "Scramble 2," which, according to Stern, is substantially similar in its audiovisual presentation to Stern's "Scramble." Stern claims that Omni's sale of this game after April 16, 1981 infringes Stern's copyright.

II.

The pattern of conduct alleged in plaintiff's supplemental complaint concerning the electronic video game "Scramble" is similar to that alleged in the original complaint concerning "Kamikaze" and "Astro Invaders." Plaintiff is granted leave to file the supplemental complaint.

III.

For this court to issue a preliminary injunction "there must be a showing of possible irreparable injury and either (1) probable success on the merits or (2) sufficiently serious questions going to the merits to make them a fairground for litigation and a balance of hardship tipping decidedly toward the party requesting the preliminary relief." *Caulfield v. Board of Education of City of New York*, 583 F.2d 605, 610 (2d Cir. 1978) (emphasis in original). "In copyright cases, however, if probable success—a prima facie case of copyright infringement—can be shown, the allegations of irreparable injury need not be very detailed, because such injury can normally be presumed when a copyright is infringed." *Wainwright Securities, Inc. v. Wall Street Transcript Corp.*, 558 F.2d 91, 94 (2d Cir. 1977), *cert. denied*, 434 U.S. 1014, 98 S.Ct. 730, 54 L.Ed.2d 759 (1978).

A. Irreparable Injury

[1] Stern has more than met its burden of showing irreparable injury. "Scramble" is one of the most popular video games ever sold; sales since March 1981 total about twenty million dollars. Counterfeit models (or "knock-ups" as they are known in the industry) can invade this market by selling video games identical to "Scramble" for approximately \$650 less per game. Knock-ups pose a substantial threat to the health of the electronic video game industry. Development of a new game requires substantial investment and takes between eight months to a year. However, little expense, time, or initiative is required to reproduce a game's programmed memory. Preliminary injunctive relief is the only effective means of protecting a copyright in a video game since the life span of a successful game is merely six months. If knock-ups dilute a copyright's profitability during that period, a final adjudication in favor of the copyright owner will do him little good. The court finds a strong likelihood of irreparable injury if interlocutory relief is denied.

B. Probable Success on the Merits

If there is a likelihood of irreparable injury, a preliminary injunction is warranted if Stern can show probable success on the merits in its claim of

copyright infringement. To prove copyright infringement, Stern must show that it owned a copyright in the audiovisual display in the "Scramble" video game and that Omni copied that display.

1. *Ownership of the Copyright*

Stern owns a copyright in the "Scramble" audiovisual display if the statutory formalities were complied with in registering for a copyright, the display is an original work of authorship, and the subject matters are "fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device." 17 U.S.C. §§ 102, 411, 412.

There is no dispute that plaintiff has satisfied the statutory formalities in applying for the copyright. Nor is there any serious dispute that the subject matter is fixed in a computer program stored in a memory device which, by the aid of circuitry, a cathode ray tube, and speakers, can continually reproduce the audiovisual display.

Defendants, however, argue that the "Scramble" audiovisual display is not an original work of authorship. The burden of proving that the audiovisual work is not original falls on the defendants because the Certificate of Registration constitutes prima facie evidence of the validity of the copyright and of the facts stated in the certificate. 17 U.S.C. § 410(c).

Defendants point out that Stern has registered the audiovisual material contained in a videotape and has not registered the underlying computer program which dictates and controls the images and sounds contained in the audiovisual display. Defendants argue that the audiovisual material is not original since it is totally dependent upon the memory device and the underlying computer program. The only original work of authorship, they claim, lies in the computer program, and this has not been registered.

However, copyright protection exists for original "motion pictures and other audiovisual works." 17 U.S.C. § 102(a)(6). " 'Audiovisual works' are works that consist of a series of related images which are intrinsically intended to be shown by the use of machines or devices such as projectors, viewers, or electronic equipment, together with accompanying sounds, if any, regardless of the nature of the material objects, such as films or tapes, in which the works are embodied." 17 U.S.C. § 101. Stern's video game, "Scramble," falls within this definition, and presents on a screen a series of images projected by a cathode ray tube which depicts a spaceship simultaneously trying to navigate a mountainous airspace, destroy enemy fuel depots, evade deadly ground fire, and prevail in an aerial dogfight, while at the same time watching carefully over a diminishing fuel supply. In essence, the work is a movie in which the viewer participates in the action as the fearless pilot controlling the spaceship.

The popularity of a video game depends on the creativity of its audiovisual display, not on the form of its computer program. Indeed, a

potential customer does not care about the computer program except insofar as it affects the audiovisual display.

While the audiovisual display emanates from the computer program, it is senseless to say that therefore the display is not original. An author's work does not become any less original after he has found a means to replicate it.

[2] An audiovisual display is an appropriate subject for a copyright even if the underlying computer program is not copyrighted. The program and the display are quite separate in form and function. The identical audiovisual display may be created from many different computer programs, and a slightly modified computer program may produce a wholly different audiovisual display.

In sum, this court finds that Stern will probably succeed on the merits in showing that it owned a copyright in the audiovisual display of its "Scramble" video game.

2. Copying of a Copyrighted Work

Since it is often difficult to prove by direct evidence that defendant copied a plaintiff's copyrighted work, courts have permitted a finding of copying from evidence that the defendant had access to the copyrighted work and that defendant's work is substantially similar to plaintiff's. See *Granite Music Corp. v. United Artists Corp.*, 532 F.2d 718 (9th Cir. 1976). Here, Stern has shown access and substantial similarity, and defendants have made no claim of independent creation.

It is undisputed that defendants had access to plaintiff's "Scramble" video game. Gaglione testified that he purchased a "Scramble" video game from a distributor for Omni's corporate purposes.

At the hearing, this court viewed a videotape of plaintiff's "Scramble" and defendants' "Scramble 2." The sequence of images and sounds that appears on the screen when the game has started—the "play mode"—is virtually identical in the two games. The sequence of images that appears on the screen when the game is not being played—the "attract mode"—is slightly different. The Omni game's attract mode uses different wording than Stern's and begins in a different phase. These differences in the attract mode certainly indicate that the games are not identical, but the two games are substantially similar.

[3] The heart of the audiovisual work is the play mode. That is the actual game. The customer pays a quarter to participate in the simulated space battle. The attract mode is merely advertising, designed to attract the bystander to the game and entice him to play it. Even if the attract mode were totally different in the two games, the copying of the play mode would still constitute a copyright infringement. "[I]t is enough that substantial parts were lifted; no plagiarist can excuse the wrong by showing how much of his work he did not pirate." *Sheldon v. Metro-Goldwyn*

Pictures Corp., 81 F.2d 49, 56 (2d Cir.) (L. Hand, J.), *cert. denied*, 298 U.S. 669, 56 S.Ct. 835, 80 L.Ed. 1392 (1936).

This court finds that Stern will probably succeed in showing that defendants copied its audiovisual work in the video game "Scramble," and, consequently, that Stern is entitled to preliminary injunctive relief for copyright infringement.

IV.

Stern and defendants have also moved and cross-moved under 15 U.S.C. § 1125(a) for a preliminary injunction ordering each other to stop infringing their purported trademark in the name "Scramble." Neither plaintiff nor defendants has a registered trademark in the name "Scramble." Each claims that it possesses an exclusive common law trademark in the name.

In deciding whether there has been trademark infringement the court must first determine whether "Scramble" is a distinctive mark worthy of trademark protection. The word "scramble" has many meanings. In everyday language, it means "to climb or move quickly using one's hands and feet", or "to compete or struggle with others for possession or gain," or "to move in hasty urgency." *The Random House Dictionary of the English Language* 1282 (1967). In military terminology, the word refers to an order to pilots to take off quickly to intercept approaching enemy planes. *Id.*

The word "scramble" is not a valid trademark if it is merely descriptive of the characteristics of the video game and has not acquired secondary meaning. But if the word is suggestive of the nature of the game, it is entitled to trademark protection even without acquiring secondary meaning. See *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 10-11 (2d Cir. 1976). The distinction between a mark that is descriptive and one that is suggestive is not always crystal clear. However, Judge Weinfeld has developed a useful standard which the Second Circuit has adopted:

A term is suggestive if it requires imagination, thought and perception to reach a conclusion as to the nature of goods. A term is descriptive if it forthwith conveys an immediate idea of the ingredients, qualities or characteristics of the goods." *Stix Products, Inc. v. United Merchants & Mfrs., Inc.*, 295 F.Supp. 479, 488 (S.D.N.Y.1968) *quoted in West & Co., Inc. v. Arica Institute, Inc.*, 557 F.2d 338, 342 (2d Cir. 1977).

[4, 5] Under this standard the mark "Scramble" is more suggestive than descriptive. A prospective customer learning that a video game was called "Scramble" would have no "immediate idea" of the characteristics of the game. At most the word would give a hint that the game may involve aircraft intercepting attack planes and engaging in an air battle. Only by applying imagination could the customer visualize the actual nature of the game.

"Scramble" is therefore a valid mark, and question is who has the right to its exclusive use. Generally, the first person to use a mark "obtains an enforceable right to exclude others from using it, as long as the initial appropriation and use are accompanied by an intention to continue exploiting the mark commercially." *La Societe Anonymes des Parfums Le Galion v. Jean Patou, Inc.*, 495 F.2d 1265, 1271 (2d Cir. 1974).

Clearly Omni preceded Stern in using the name "Scramble"; Omni can document its use as of December 23, 1980 while Stern's first use was on March 17, 1981. Before April 1981, however, Omni used the name only on headboards, and the video games stationed beneath those headboards were not called "Scramble." They were older games already present in the Omni inventory called "Space Guerilla," "Space Carrier," and "Rally-X." The video game called "Scramble 2" was not produced by Omni until after Stern had introduced its original version of "Scramble."

Stern contends that Omni's prior use of the mark "Scramble" was not in good faith and that defendants learned of the development of "Scramble" by Konami and decided to appropriate the mark before the game's introduction into the United States. Stern argues that defendants' limited and calculated efforts to appropriate the trademark are shown by the facts that only the headboards were labeled "Scramble" and that only five of these were shipped before March 17, 1981.

"Determining what constitutes sufficient use for trademark ownership purposes is obviously a case-by-case task. . . . [I]t is important to note expressly that the balance of the equities plays an important role in deciding whether defendant's use is sufficient to warrant trademark protection. . . ." *La Societe Anonyme des Parfums Le Galion v. Jean Patou, Inc.*, *supra*, 495 F.2d at 1274 n. 11. See also *Chandon Champagne Corp. v. San Marino Wine Corp.*, 335 F.2d 531, 534 (2d Cir. 1964) ("the concept of priority in the law of trademarks is applied not in the calendar sense but on the basis of the equities involved").

[6] This court does not find credible the testimony that defendants decided to use the name "Scramble" before they knew that others had plans to market the new game under the same name. Defendants introduced the name "Scramble" by printing it on headboards attached to video games bearing different names. This practice is likely to confuse customers who can fairly expect that the name on the headboard will match the name of the game. Indeed, Stephen Kaufman, Corporate Vice President of Marketing for Stern, testified that, in his seventeen years of experience in the industry, he had never heard of one name being used to label different amusement games. The most likely explanation for this extraordinary marketing decision is that defendants contrived this usage of the mark solely for trademark maintenance purposes in anticipation of plaintiff's introduction of the "Scramble" video game into the market. Such a contrivance cannot constitute the bona fide usage necessary to sustain a com-

mon law trademark. *La Societe Anonyme des Parfums Le Galion v. Jean Patou, Inc.*, *supra*, 495 F.2d at 1273. See *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 97, 39 S.Ct. 48, 50, 63 L.Ed. 141 (1918) ("the right to a particular mark grows out of its use, not its mere adoption.").

The plausibility of this explanation is bolstered by evidence that Omni only ordered ten "Scramble" name plates on December 1, 1980 and only shipped five video games bearing a "Scramble" headboard before March 17, 1981. Such a sample is too small to provide any meaningful test of the marketability of the "Scramble" trademark.

Moreover, it would be a truly remarkable coincidence if defendants independently thought of the name "Scramble" and then, only a few months later, produced a video game virtually identical to one bearing the same name. It is more likely that defendants sought to appropriate the trademark with the expectation that they would later imitate the audio-visual display.

In sum, while the court recognizes that defendants first used the mark "Scramble," it finds that defendants' use of the mark was not bona fide.

Both sides have moved for preliminary injunctive relief to protect their alleged interests in the mark "Scramble." Thus, the alternatives open to the court are to deny interlocutory relief and permit both sides to use the mark "Scramble," or to bar one side from further use of the mark.

The first alternative is undesirable. Continued use of the mark by both sides is likely to confuse or deceive operators and consumers, causing injury to the litigants and the purchasing public. One side or the other should be entitled to use the mark. The question is which. The question is certainly serious enough to constitute a fair ground for litigation. Interlocutory relief should therefore be afforded to the side to whom the balance of hardships tips decidedly. That side is Stern's.

Stern's has invested a substantial amount of money in developing and marketing its electronic video game "Scramble." Ten thousand units have been sold since the game was introduced to the public in March 1981.

If this court were to enjoin Stern from continuing to use the mark, Stern would have to change the name of the game, market it under a new title, and attempt at considerable cost to re-establish the name recognition it built in the industry within the past two months.

Defendants, on the other hand, will be preliminarily enjoined by this order from infringing Stern's copyright by selling their "Scramble 2" video game. Preliminarily enjoining them from using the mark "Scramble" will not require them to change the name of any video game. Rather, it will merely prevent them from using that mark to identify other games. Such a limitation is unlikely to impose a significant hardship on the defendants.

It is therefore ordered that defendants and their agents, representatives, employees, servants, and assigns are enjoined during the pendency of this action from infringing in any manner plaintiff's copyright in the

audiovisual work entitled "Scramble." They are also enjoined during the pendency of this action from further use of the mark "Scramble." Defendants are ordered to deliver up to this court, for impounding during the pendency of this action, all of defendants' "Scramble 2" video games or any other copies of plaintiff's "Scramble" audiovisual work that infringe plaintiff's copyright and are under defendants' control.

The foregoing constitutes the court's findings of fact and conclusions of law.

Issuance of this memorandum and order renders moot plaintiff's motion to enjoin defendants from prosecuting Omni's motion for a preliminary injunction in the United States District Court for the District of Rhode Island. SO ORDERED.

**STEVENS LINEN ASSOCIATES, INC., Plaintiff-Appellant, v.
MASTERCRAFT CORPORATION, Defendant-Appellee**

No. 1320, Docket 81-7038

*(United States Court of Appeals, Second Circuit — Argued May 27, 1981 —
Decided July 22, 1981)*

656 F.2d 11. 210 USPQ 865

[See also 208 USPQ 669, 44 C.O.Bull. 947 (S.D.N.Y., Feb. 1, 1980); 210 USPQ 573, 44 C.O.Bull. 951 (S.D.N.Y., Dec. 17, 1980)]

Suit was brought alleging that two of defendant's fabrics infringed plaintiff's copyright for its fabric. The United States District Court for the Southern District of New York, Constance Baker Motley, J., held that defendant infringed plaintiff's copyrighted fabric design, granted permanent injunction against further sale of infringing fabrics, and awarded attorney fees, but denied compensatory damages, and plaintiff appealed. The Court of Appeals, Lumbard, Circuit Judge, held that district court should have awarded damages measured either by lost profits which plaintiff would have realized from sales to customers who bought both plaintiff's and defendant's fabrics, or by lost profits based on difference between sales of infringed fabric and average sales of plaintiff's other fabrics, whichever sum proved to be larger.

Modified and remanded for computation of compensatory damages.

1. Copyrights and Intellectual Property

In establishing lost sales due to sales of an infringing product, court in copyright infringement action must necessarily engage in some degree of speculation.

2. Copyrights and Intellectual Property

Given difference in price between infringed fabric and infringing products, district court in copyright infringement action correctly refused to grant plaintiff compensatory damages based upon assumption that it would have sold entire amount of fabric sold by defendant.

3. Copyrights and Intellectual Property

District court properly rejected projections of sales of plaintiff's fabric offered by plaintiff's vice-president and director of design in determining whether to award plaintiff compensatory damages for copyright infringement where testimony was completely devoid of documentary support and witness furnished court with no basis for projections.

4. Copyrights and Intellectual Property

After finding that defendant infringed plaintiff's copyrighted fabric design, district court should have awarded compensatory damages measured either by lost profits which plaintiff would have realized from sales to customers who bought both plaintiff's and defendant's fabrics, or by lost profits based upon difference between sales of plaintiff's fabric and average sales of all of plaintiff's other fabrics, whichever sum proved to be larger.

5. Copyrights and Intellectual Property

Once plaintiff established that it had been damaged by defendant's infringement of its copyrighted fabric, and that its customers purchased both infringed and infringing products, burden shifted to defendant to prove that customers of infringed fabric to whom it sold would not have acquired from plaintiff alone all yardage they purchased had there been no infringement.

6. Copyrights and Intellectual Property

Plaintiff, which had obtained judgment that defendant infringed its copyrighted fabric design, should be able to recover lost profits based upon difference between its actual sales of infringed fabric during period in which it was forced to compete with infringing fabrics and its average sales figures for its remaining fabric products, based on a comparison of sales of the infringed fabric to its sales for all other fabrics, since the infringed fabric figures were clearly affected by competition with infringing items.

7. Copyrights and Intellectual Property

On remand in action to recover for infringement of copyrighted fabric design, court should consider additional award of damages based upon defendant's invoices which bore dates subsequent to entry of preliminary injunction; with respect to any sales referred to in these invoices which defendant could not establish as having been made prior to preliminary injunction in case, total amount of revenues received by defendant from such sales of infringing fabrics should be awarded plaintiff.

James K. Silberman, New York City (Blum, Kaplan, Friedman, Silberman & Beran, New York City, Michael I. Wolfson, New York City, of counsel), for plaintiff-appellant.

Joseph D. Garon, New York City (Brumbaugh, Graves, Donohue & Raymond, New York, George W. Whitney, Russell H. Falconer, New York City, of counsel), for defendant-appellee.

Before FEINBERG, Chief Judge, and LUMBARD and MANSFIELD, Circuit Judges.

LUMBARD, *Circuit Judge*. Plaintiff Stevens Linen Co. appeals from that part of an order entered in the Southern District of New York, Motley, J., denying plaintiff compensatory damages resulting from the copyright infringement of plaintiff's upholstery fabric entitled "Chestertown." The district court held that defendant's fabrics "Rio Grande" and "Grand Canyon" infringed plaintiff's copyright for its Chestertown fabric, granted a permanent injunction barring future sales of the infringing fabrics, and awarded plaintiff reasonable attorney's fees. The district court denied an award of compensatory damages, however, because it believed any damages suffered by plaintiff to be too speculative to be determined. We now modify the order and remand it for computation of damages.

I.

Stevens Linen Co. and defendant Mastercraft Corp. are direct competitors in the manufacture and marketing of woven upholstery fabrics. In the summer of 1976, a Stevens Linen employee created a new fabric design, known as Chestertown. The fabric was first shown publicly in July of 1976 and first sold in September of that year. A copyright registration was then obtained. Stevens Linen displayed the fabric in North Carolina at a national furniture market called the "High Point Market." After attending that market, a Mastercraft designer created the two infringing fabrics: Rio Grande and Grand Canyon.

Stevens commenced this suit on April 19, 1979, alleging that Mastercraft's two fabrics infringed Steven's copyright for the Chestertown fabric. The district court found the Mastercraft fabrics to be substantially similar in appearance to Steven's copyrighted fabric and therefore entered an order of preliminary injunction, temporarily enjoining the sale of the infringing fabrics, on February 15, 1980. The order was affirmed by this court in an unpublished ruling on April 21, 1980.

A non-jury trial of the merits ensued. At trial, the parties again contested the issue of infringement. In addition, Stevens presented evidence to support several possible theories as to its damages from infringement. First, Mastercraft admitted having sold 253,867 yards of its Rio Grande and Grand Canyon fabrics. Therefore, Stevens claimed that it suffered damages of lost profits on the entire amount of Mastercraft's sales, since it could have sold this amount of Chestertown had there been no infringement. Stevens offered testimony that it had excess production capacity during the time of Mastercraft's sales.

Second, Stevens offered evidence that twenty-two of its Chestertown customers had also purchased Mastercraft's Rio Grande and Grand Canyon fabrics. These twenty-two customers purchased a total of 95,422½ yards of Mastercraft's two fabrics. Thus, Stevens argued that it was damaged at the minimum in the amount of lost profits on these sales.

Stevens also placed into evidence the 14,234 $\frac{1}{8}$ yards of sales by Mastercraft of its two fabrics to purchasers to whom Stevens had distributed samples of its Chestertown fabrics, and the 97,258 yards of Mastercraft sales to customers who had been solicited to purchase Chestertown.

Third, Stevens offered testimony by its Vice President and Director of Design as to Steven's original projections for Chestertown sales. Based upon the fact that Chestertown had tripled in sales from 1977 to 1978, Stevens had projected that sales would again triple in 1979 (to about 270,000 yards), would increase by about 12% in 1980, would begin tapering off in 1981, and would have a total sales life of about ten years. Stevens also introduced evidence of Chestertown's actual performance: in 1979, the year in which Mastercraft's fabrics were first sold in competition with Chestertown, sales increased only 4%, instead of the tripling projected, and in the first six months of 1980, sales of Chestertown declined by 64%.

Finally, Stevens compared the sales of Chestertown with its overall sales during the times in question. During 1978, before Mastercraft began sales of its two fabrics, Chestertown's sales had increased by 216%, while Steven's overall sales increased by 37% and its sales not including Chestertown increased 30%. In 1979, when Mastercraft began its sales of Rio Grande and Grand Canyon, and when sales of Chestertown increased only 4%, Steven's overall sales increased 28%, and sales without including Chestertown increased 30%. In the six months ending July 31, 1980, when Chestertown sales declined 64%, overall sales declined only 16% and sales not including Chestertown declined only 12%.

Stevens also introduced into evidence certain Mastercraft invoices for sales of Rio Grande and Grand Canyon. Twenty-four of the invoices, totalling 4,329 $\frac{3}{8}$ yards with a total sales price of \$15,362.91, carried dates subsequent to entry of the preliminary injunction. Stevens argued that it should be awarded that sum in addition to any compensatory damages for losses of sales prior to the granting of the preliminary injunction.

With respect to damages, Mastercraft pointed out that Steven's Chestertown fabric was priced at \$5.40 per yard, while Mastercraft's fabrics sold for approximately \$3.50 per yard. Mastercraft's President testified that, because of the difference in price, he did not believe Stevens would have obtained all of Mastercraft's sales in the period in question. He also pointed to the existence of similar, cheaper fabrics on the market. Finally, Mastercraft offered evidence suggesting that the dates on the invoices in question did not reflect dates of shipping, but merely dates of billing.

The district court held that the two Mastercraft fabrics infringed Steven's copyright for its Chestertown fabric. As for damages, the court noted that the applicable statute, 17 U.S.C. § 504 (1976 & Supp. III 1979), provides for an award of either the copyright owner's damages plus the infringer's profits or, at the election of the copyright owner, specified

statutory damages, and that Stevens had elected to pursue actual damages and any of the infringer's profits. The court found that Mastercraft had indeed lost money on its infringing fabrics, and therefore no profits could be awarded. As to actual damages to Stevens, although finding that "it is reasonable to assume that the infringement affected plaintiff's sales," the court refused to award any compensatory damages, finding them too speculative.

The court specifically rejected the theory that Stevens would have sold additional amounts of its Chestertown fabric in the total amounts of the infringing fabrics sold by Mastercraft. It also rejected the theory that Stevens would have sold additional amounts of Chestertown to those of its customers who purchased both Chestertown and Mastercraft's fabrics. Finally, it dismissed the projections testified to by a Stevens employee as even more speculative than the other theories of lost sales. The court made no mention of either the comparison to sales of Steven's other fabrics or the evidence as to post-injunction sales of Mastercraft's fabrics. The court did award Stevens its attorney's fees.

II.

[1] We believe the district court erred in failing to award Stevens compensatory damages. In establishing lost sales due to sales of an infringing product, courts must necessarily engage in some degree of speculation. See, e.g., *Gross v. Van Dyk Gravure Co.*, 230 F. 412 (2d Cir. 1916); *Fruit of the Loom, Inc. v. Andris Fabrics, Inc.*, 227 F.Supp. 977 (S.D.N.Y.1963). Cf. *Story Parchment Co. v. Paterson Parchment Paper Co.*, 282 U.S. 555, 51 S.Ct. 248, 75 L.Ed.544 (1931) (antitrust damages); *Eastman Kodak Co. v. Southern Photo Materials Co.*, 273 U.S. 359, 47 S.Ct. 400, 71 L.Ed. 684 (1927) (same). Although, as Mastercraft argues on appeal, there is a distinction between proof of causation—meaning proof that defendant's acts caused any harm to plaintiff at all—and proof of the amount of damage, in this case the district court found that Stevens's copyright had been infringed and that this infringement necessarily caused some loss of sales by Stevens. Therefore the only issue was the extent of that damage.

[2, 3] Given the difference in price between the infringed and infringing products, the district court was correct in refusing to grant to Stevens damages based upon the assumption that it would have sold the entire amount of fabric sold by Mastercraft. See *Alouf v. Expansion Products, Inc.*, 417 F.2d 767 (2d Cir. 1969); *Peter Pan Fabrics, Inc. v. Jobela Fabrics, Inc.*, 329 F.2d 194 (2d Cir. 1964); *L & L White Metal Casting Corp. v. Cornell Metal Speciality Corp.*, 353 F.Supp. 1170 (E.D.N.Y.1972). Moreover, it was also proper for the district court to reject the projections of Chestertown sales offered by Stevens's Vice President and Director of Design. While under other circumstances, such

testimony might support an award of damages, here the testimony was completely devoid of documentary support, and the witness furnished the court with no basis on which the court could evaluate the validity of the projections.

[4, 5] Nevertheless, the district court should have awarded damages measured either (1) by lost profits which Stevens would have realized from sales to customers who bought both Stevens and Mastercraft fabrics, or (2) by lost profits based upon the difference between sales of Chestertown and the average sales of all of Stevens's other fabrics, whichever sum proves to be larger. As to the first theory, admittedly we cannot be certain that all of the purchases of these twenty-two customers would have been made from Stevens rather than Mastercraft had no infringing products been offered. Nevertheless, we can reasonably believe that these customers of Stevens had a demand for this type of fabric and were shifting their purchasing to the cheaper infringing fabrics and away from Chestertown. *See, e.g., Baldwin Cooke Co. v. Keith Clark, Inc.*, 420 F.Supp. 404, 407 (N.D.Ill.1976). Although Stevens might not have made every one of Mastercraft's sales, we believe that once Stevens established that it had been damaged, and that its customers purchased both the infringed and the infringing products, the burden shifted to the infringer, Mastercraft, to prove that the customers of Chestertown to whom it sold would not have acquired from Stevens alone all of the yardage they purchased had there been no infringement.

[6] Regarding the second plausible theory, we believe that, at the least, Stevens should be able to recover lost profits based upon the difference between its actual sales of Chestertown during the period in which it was forced to compete with the infringing fabrics and Stevens's average sales figures for its remaining fabric products. This approach was recently taken in a copyright infringement suit involving competing sales of infringing record albums. *See Big Seven Music Corp. v. Lennon*, 554 F.2d 504 (2d Cir. 1977) (comparing sales of infringed album with sales of contemporary albums by same performer). We believe it more appropriate to compare sales of Chestertown to Stevens's sales for all of its fabrics *not including* Chestertown, since the Chestertown figures were clearly affected by competition with the infringing items, and since the object of the damages inquiry is to determine what sales probably would have been made without the infringement. Therefore, under this theory, the district court could award Stevens lost profits based upon the difference between the 4% increase in Chestertown sales in 1979 and the 30% sales increase in Stevens's other fabric lines, and the difference between the 64% decline in Chestertown sales in the first six months of 1980 and the 12% decline in Stevens's other products during that period.

Thus we must remand to the district court to determine the amount of damages. Under the first of the two foregoing measures, damages would

be awarded in the amount of Stevens's lost profits for additional sales of Chestertown to those of its customers who also purchased the infringing fabrics, less profits on sales which Mastercraft proves that Stevens would not have made. The measure under the alternative theory would be lost profits based upon the difference between Chestertown sales in the period in question and Stevens's average sales of its other fabric products. Having calculated damages according to these two alternative measures, the court should award to Stevens whatever sum proves to be greater.

[7] Finally, upon remand, the court should consider an additional award of damages based upon the Mastercraft invoices introduced by Stevens which bear dates subsequent to the entry of the injunction. Mastercraft argues on appeal that Stevens did not ask the district court to award these damages, but the trial record clearly refutes this position. Stevens entered these invoices into evidence and asked questions of Mastercraft employees concerning them. Mastercraft obviously saw the potentially damaging nature of these invoices for it responded by eliciting testimony suggesting that the dates on the invoices were billing dates rather than dates of delivery. The district court, however, made no findings as to these sales. With respect to any sales referred to in these invoices which Mastercraft cannot establish as having been made prior to the preliminary injunction, the total amount of the revenues received by Mastercraft from these sales should be awarded to Stevens.

Order MODIFIED and REMANDED for further proceedings consistent with this opinion.

STONEHILL COMMUNICATIONS, INC., Plaintiff, v. **John MARTUGE,** New York Area Director of United States Customs Service,
Defendant

No. 80 Civ. 6794

(United States District Court, S. D. New York — April 24, 1981)

512 F.Supp. 349. 212 USPQ 500

Publisher of a book describing the attractiveness of the lifestyle found on and associated with nude beaches and where to find such beaches filed an action seeking review of a determination by an official of the Customs Service that the book violated the "manufacturing clause" of the Copyright Act. Cross motions for summary judgment were filed. The District Court, Edward Weinfeld, J., held that for purposes of determining whether printed material

which is both literary and pictorial is entitled to copyright protection, a book consists of preponderantly nondramatic literary material in the English language when more than half of its surface area, exclusive of margins, consists of English language text, and, therefore, since pictures comprised more than one-half of the surface area of the book in question, the book was not subject to the manufacturing clause and was entitled to be distributed with copyright protection.

Plaintiff's motion for summary judgment granted.

1. Constitutional Law

Since "manufacturing clause" of Copyright Act has been subject of considerable attention through deliberations on passage of Copyright Act, and section was passed with expiration date so that copyright office could study clause with view to guiding Congress on whether to extend it beyond that date, district court would not accept argument that clause should not be enforced, since to accept such position would be tantamount to repeal by judicial decision. 17 U.S.C.A. § 601(a).

2. Copyrights and Intellectual Property

Purpose of "manufacturing clause" within Copyright Act is purely economic in support of American printing industry; it is to require certain kinds of books to be manufactured in the United States or Canada in order to qualify for American copyright protection. 17 U.S.C.A. § 601(a).

3. Copyrights and Intellectual Property

For purposes of "manufacturing clause" of Copyright Act, test to be applied in determining when material consisting of both exempt and nonexempt components is subject to clause is objective test. 17 U.S.C.A. § 601(a).

4. Copyrights and Intellectual Property

For purposes of "manufacturing clause" of Copyright Act, book consists of preponderantly non-dramatic literary material in English language when more than half of its surface area, exclusive of margins, consists of English language text. 17 U.S.C.A. § 601(a).

5. Copyrights and Intellectual Property

Book entitled "World Guide to Nude Beaches and Recreation," of which more than half of photographs depicting lifestyle at nude recreation centers in United States and around world, is not subject to manufacturing clause of Copyright Act, and is entitled to be distributed within the United States with copyright protection. 17 U.S.C.A. § 601(a).

6. Copyrights and Intellectual Property

Determination of whether book is subject to "manufacturing clause" contained in Copyright Act when work consists of both literary and pictorial matter could not be determined on judgment of single customs official's "opinion" as to which portion of book is "more important," in that such vague standard would leave authors and publishers without any guide while not providing any significant advantage to printers, intended beneficiaries of "manufacturing clause." 17 U.S.C.A. § 601(a).

Clark, Wulf, Levine & Peratis, New York City, for plaintiff; Leon Friedman, New York City, of counsel.

John S. Martin, Jr., U.S. Atty., S. D. New York, New York City, for defendant; Nancy E. Friedman, Asst. U.S. Atty., New York City, of counsel.

OPINION

EDWARD WEINFELD, *District Judge*. This is a case of first impression involving the interpretation of § 601(a) of the Copyright Act of 1976,¹ the “manufacturing clause.” Plaintiff is the publisher of “World Guide to Nude Beaches and Recreation,” a book describing (1) the attractiveness of the lifestyle found on and associated with nude beaches and (2) where to find such beaches. More than half of the book consists of photographs depicting the life style at nude recreation areas in the United States and throughout the world; the remainder is text, mostly descriptions of nude recreation areas, their facilities, and how to get to them. Written by an American author but printed in Italy, it was deemed by an official of the United States Customs Service to violate § 601(a) and thus to be ineligible for copyright protection under the Copyright Act.

Section 601(a) provides:

Prior to July 1, 1982, and except as provided by subsection (b), the importation into or public distribution in the United States of copies of a work consisting preponderantly of nondram[at]ic literary material that is in the English language and is protected under this title is prohibited unless the portions consisting of such material have been manufactured in the United States or Canada.

This is the latest version in a series of “manufacturing clauses” that have been a part of American copyright law since 1891. From the beginning, the essential purpose of the clause has been “protectionist”—it is designed to protect the American printing industry from the competition of foreign printers. Generally, the legislation has been opposed by writers and publishers.

[1] Section 601(a), which was the subject of considerable attention throughout deliberations on passage of the Copyright Act of 1976, substantially liberalized previous clauses. The hearings before the congressional committee at which were presented the conflicting views of interested parties, indicate that there was an awareness that no sound principle justified permanent continuance of the clause, except its “protectionist” aspect, and that even as to this element its effectiveness was questioned. In consequence, the section was passed in its present form but with an expiration date of July 1, 1982.² Presently, the copyright office is studying the clause with a view to guiding Congress on whether to extend it beyond that date. Inasmuch as the clause was the subject of considerable attention by Congress and was passed in order to fulfill its economic objectives and despite the recognized objection that it is a burden on American authors, plaintiff’s contention on argument of these motions

¹17 U.S.C. § 601(a).

²H.R.Conf.Rept. No. 94-1733, 94th Cong., 2d Sess, 80; S.Rep. No. 94-473, 94th Cong., 1st Sess. 148.

that the clause should not be enforced is without merit. To accept this position would be tantamount to repeal by judicial decision.

The issue is one of statutory construction. That issue is what the word “preponderantly” in the statute means when a book consists of both English-language, nondramatic literary material (subject to the clause) and also pictorial matter (exempt from the clause). The statute is silent as to this type of combination book, and the legislative history, while not silent, is ambiguous. Moreover, the Customs Service, which is statutorily directed to enforce the manufacturing clause,³ has not formulated any guidelines or regulations applicable in this kind of case. Rather significantly, the Customs agent who here made the determination states, “In cases where no practices and procedures have been established, I render opinions, based on my experience and research, as to what the appropriate practice and procedure should be.”

The Customs Service professes to follow the vague instructions of the legislative history, which directs that the relative “importance” of the literary and pictorial portions governs. Thus, “where the literary material in a work consists merely of a foreword or preface, and captions, headings, or brief descriptions or explanations of pictorial, graphic or other non-literary material, the manufacturing requirement does not apply in whole or in part . . . [because] the nonliterary material clearly exceeds the literary material in importance.”⁴ On the other hand, if the nonliterary material “merely illustrates” the literary material, then the text is more important regardless of the relative amount of space each takes up.⁵ In that case, the textual portion is subject to the clause, though the pictorial portion may still be manufactured abroad.

The legislative history abounds with conflicting assumptions. It, on the one hand, explicitly notes that the term “literary material” does not “connote any criterion of literary merit or qualitative value.”⁶ On the other hand, it also describes an approach requiring a judgment by a government official as to when books containing a combination of literary and pictorial material are “preponderantly . . . literary material” and hence subject to the clause—that is, the “importance” test. No objective criteria are proffered to guide this decision; there is no indication, for example, as to whom the portions must be “important,” or in what ways.

[2, 3] The assertion of unfettered discretion on the part of the Customs Service to determine what is “important” in a book, based on its “accumulated experience,”⁷ not only does not provide American authors and

³ 17 U.S.C. § 603.

⁴ H.R.Rept. No. 94-1476, 94th Cong., 2d Sess. 166-67 *reprinted in* [1976] U.S.Code Cong. & Ad.News 5659, 5782-83.

⁵ *Id.* at 167, [1976] U.S.Code Cong. & Ad.News at 5783.

⁶ *Id.* at 166, [1976] U.S.Code Cong. & Ad.News at 5782.

⁷ Deft's Memorandum of Law, at 11.

publishers with any realistic way of determining if a book will be subject to the clause, but it also is unnecessary to effectuate the purpose of the clause. That purpose is purely economic in support of the American printing industry; it is to require certain kinds of books to be manufactured in the United States or Canada in order to qualify for American copyright protection. The problem, then, is what test is to be applied to determine when material consisting of both exempt and nonexempt components is subject to the clause. In the absence of congressional or duly authorized guidelines, the answer is an objective test — in this instance, a “mechanical” one.

[4, 5] Objective guidelines will further the statutory purpose while affording authors and publishers means for ascertaining what must be done to ensure copyright protection in advance of publication. In the absence of any other standards, the Court holds that a book “consists of preponderantly non-dram[atic] literary material...in the English language” when more than half of its surface area, exclusive of margins, consists of English language text. In this case, though there is a slight disagreement as to the precise figures, both parties agree that pictures comprise more than half of the surface area. Thus, plaintiff’s book is not subject to the manufacturing clause and is entitled to be distributed within the United States with copyright protection.

[6] This case is a prime example of the problems of allowing an administrative agency to exercise uncontrolled discretion in determining what is important in a book — in this instance, as already noted above, by the judgment of a single Customs official’s “opinion” as to what the appropriate practice and procedure should be.

The defendant goes to great lengths to dissect the book. He argues that the theme of the book is discoverable by reference to the text alone, that the absence of labels and captions demonstrates that the photos are merely illustrative and thus belies plaintiff’s position that they are “more important” than the text. “If plaintiff seriously sought to render the book a ‘preponderantly’ non-literary work, the title, let alone the format, undoubtedly would have focused on the pictures, with the text being only supplementary. The ‘World Guide’... is an obvious example of a catalogue that is illustrated with photographs.”⁵ Besides making what should be a simple inquiry unduly complicated, this approach ignores the obvious fact that the photographs form the very substance of the book; they are of major importance in conveying a sense of what “nude beaches” are. Further, they are clearly a factor in increasing sales. Indeed, a ready response to defendant’s position can be that one picture is worth a thousand words. If that rule were applied, it is beyond dispute that the book is “preponderantly” of non-literary material that exceeds the textual material in “importance.”

⁵ *Id.* at 10–11.

The lack of objective standards is emphasized by the affidavit of the Customs official who made the judgment here at issue. There are obviously any number of interpretations one could make about what is "important" in a book. Such a vague standard leaves authors and publishers without any guide while not providing any significant advantage to printers, the intended beneficiaries of the clause.

Under the circumstances, the Customs Service's ruling is arbitrary and capricious and not in accordance with the law.⁹ Plaintiff's motion for summary judgment is GRANTED; defendant's motion for summary judgment is DENIED.

SO ORDERED.

SURCO PRODUCTS, INC., Plaintiff, v. **THEOCHEM LABORATORIES, INC.,** Pyramid Chemical Company and Steven D. Theofilos, Defendants

No. 81-2789-Civ-JLK

(United States District Court, S. D. Florida—December 18, 1981)

528 F.Supp. 677

Upon District Court's sua sponte inquiry into the propriety of a transfer of a copyright and trademark infringement action originally filed in the Western District of Pennsylvania, the District Court, James Lawrence King, J., held that corporation, which filed copyright and trademark infringement action in Western District of Pennsylvania which was transferred to the Middle District of Florida, was not entitled to transfer of the action to the Southern District of Florida for reasons that corporation's motions did not satisfy the requirement of proving by a clear showing that the balance of convenience favored holding the trial in the Southern District and that the operative facts underlying the cause of action had no material connection with the Southern District.

Cause transferred to the Middle District of Florida.

1. Federal Courts

Corporation, which filed copyright and trademark infringement action in Western District of Pennsylvania which was transferred to the Middle District of Florida, was not entitled to transfer of the action to the Southern District of Florida for reasons that corporation's motions did not satisfy the requirement of proving by a clear showing that the balance of conve-

⁹ 5 U.S.C. § 706(2)(A); see *Morton v. Ruiz*, 415 U.S. 199, 235, 94 S.Ct. 1055, 1076, 39 L.Ed.2d 270 (1974) (for agency interpretation of statute to be granted deference it must be consistent with congressional purpose).

nience favored holding the trial in the Southern District and that the operative facts underlying the cause of action had no material connection with the Southern District. 28 U.S.C.A. § 1404(a).

2. Federal Courts

In ruling upon a motion for a change of venue for convenience of parties and witnesses, court may properly consider only those facts which are undisputed or are a matter of record in the form of affidavits, depositions, or stipulations; mere allegations, unsupported by affidavits or other proof thereof, cannot be accorded much weight. 28 U.S.C.A. § 1404(a).

Michael R. Carey, Barnett, Bolt & Russo, Tampa, Fla., Robert P. Chapin, Reed, Smith & Chapin, Delray Beach, Fla., for plaintiff.

Frederick H. Colen, Reed, Smith, Shaw & McClay, Pittsburgh, Pa., for defendants.

ORDER OF TRANSFER

JAMES LAWRENCE KING, *District Judge*. This cause came before the Court sua sponte upon consideration of a transfer of the cause to this district pursuant to 28 U.S.C. § 1404(a). This Court is acting under the authority conferred upon it by 28 U.S.C. § 1404(a) and upon the privilege of this Court, as a transferee Court, to inquire *de novo* into the propriety of a transfer and to make its own decision as to its propriety. *Hoffman v. Blaski, et al.*, 363 U.S. 335, 340 n. 9, 80 S.Ct. 1084, 1088 n. 9, 4 L.Ed.2d 1254 (1960); *Goldlawr, Inc. v. Heiman*, 288 F.2d 579, 581 (2d Cir. 1961); *Janus v. J.M. Barbe Co.*, 57 F.R.D. 539, 540 (N.D. Ohio 1972).

The corporate plaintiff, Surco Products, Inc., (hereinafter referred to as "Surco"), originally filed this copyright and trademark infringement action in the United States District Court for the Western District of Pennsylvania (hereinafter referred to as "Western District of Pennsylvania") on October 29, 1980. Following unsuccessful settlement negotiations, the defendants moved to have the action transferred to the United States District Court for the Middle District of Florida (hereinafter referred to as "Middle District of Florida") pursuant to 28 U.S.C. § 1404(a). Oral arguments were held and the Court entered an Order granting the motion to transfer the matter to the Middle District of Florida. The plaintiff then filed a motion to reconsider and amend, seeking transfer to the United States District Court for the Southern District of Florida (hereinafter referred to as "Southern District of Florida"), instead of the Middle District of Florida. The district court judge for the Western District of Pennsylvania entered an Order denying plaintiff's motion to reconsider and amend, without prejudice to plaintiff's right to file said motion in the district court for the Middle District of Florida.

On November 20, 1981, Surco filed a motion to transfer pursuant to 28 U.S.C. § 1404(a) in the District Court for the Middle District of Florida. The memorandum in support thereof was actually the motion to recon-

sider and amend that had been filed in Pennsylvania. No affidavits or other supporting documents were offered along with the motion to transfer. The allegations of facts and circumstances supporting a transfer to the Southern District of Florida set forth that:

1. When the plaintiff, Surco, was a resident of Florida, its offices were located in Hialeah, Florida. Hialeah is in the Southern District of Florida.

2. The initial transactions, occurrences and events leading up to the present litigation occurred in Hialeah.

3. The four principal witnesses which Surco intends to call reside in Miami and one of these witnesses may not be able to travel to the Middle District of Florida due to an illness. Miami is in the Southern District of Florida.

The defendants filed a memorandum in opposition to plaintiff's motion to transfer and an accompanying affidavit. The memorandum and affidavit alleged the following facts and circumstances in support of maintaining venue in the Middle District of Florida.

1. The corporate defendant Theochem Laboratories, Inc. (hereinafter referred to as "Theochem") has its principal place of business in Tampa, Florida and has been located in Tampa at all material times. The corporate defendant Pyramid Chemical Company is incorporated in Virginia and has its principal place of business in Greensboro, North Carolina. The individual defendant Steven C. Theofilos resides in Tampa, Florida and has resided there at all material times. The plaintiff Surco is a Pennsylvania Corporation with its principal place of business in Pittsburgh, Pennsylvania. (Tampa is in the Middle District of Florida).

2. The focal point of this litigation is the terms, and in particular, the date of expiration, of an agreement entered between Theochem and Surco in November of 1979.

3. All acts performed by Theochem in connection with the manufacturing, packaging and shipment of the allegedly infringing product, before and after November 1979, occurred in Tampa, Florida.

4. All documents and records pertaining to the manufacture, packaging and sale by Theochem of the allegedly infringing product and all documents and records pertaining to the defenses and counterclaims that the defendants intend to raise are located in Tampa, Florida.

5. Steven D. Theofilos is the principal person responsible for the acts performed by the two corporate defendants in regard to the manufacture, packaging, promotion and sale of the allegedly infringing product.

6. The five principal witnesses that the defendants intend to call reside in Tampa, Florida.

On December 8, 1981, Honorable Judge Hodges of the Middle District of Florida entered an order transferring this cause to the Southern District of Florida pursuant to 28 U.S.C. § 1404(a).

Upon *de novo* review of the record in this cause, this Court finds that the facts do not support the processing of this litigation in the Southern

District of Florida. The Court bases this conclusion on a finding of both procedural and substantive defects in Surco's request for a change of venue to the Southern District of Florida.

[1, 2] Procedurally, plaintiff has not carried its burden of proving entitlement to a change of venue under 28 U.S.C. § 1404(a). The party seeking a transfer has the burden of satisfying the Court by a clear showing that the balance of conveniences fall toward him, in other words, that a change of venue will promote the convenience of the parties and witnesses and is in the interest of justice. *Abramson v. Ina Capital Management Corp.*, 459 F.Supp. 917, 921 (E.D.N.Y.1978); *Poncy v. Johnson & Johnson*, 414 F.Supp. 551, 553 (S.D.Fla. 1976). The Court may properly consider only those facts which are undisputed or are a matter of record in the form of affidavits, depositions, or stipulations. *Kisko v. Penn Central Transp. Co.*, 408 F.Supp. 984, 986 (M.D.Penn.1976). Mere allegations, unsupported by affidavits or other proof thereof, cannot be accorded much weight. *Essex Crane Rental v. Vic Kirsch Const.*, 486 F.Supp. 529, 535 (S.D.N.Y.1980).

Neither plaintiff's motion for a transfer or motion to reconsider or amend were accompanied by affidavits or any other form of proof supporting its entitlement to a transfer. Plaintiff's motions contained merely conclusory assertions as to the merits of its entitlement to a change of venue and a few factual assertions that the Court finds do not satisfy the requirement of proving by a clear showing that the balance of conveniences favor the granting of Surco's request. *See infra*. Thoroughly reviewing the record, the Court studied affidavits that had been submitted by plaintiff in support of an earlier motion for a temporary restraining order and for a preliminary injunction. The substance of these affidavits, however, do not support a transfer of this cause to the Southern District of Florida as they do not reveal any operative facts connecting the cause to this district. The defendants, on the other hand, opposed the motion with specific factual allegations going to the heart of the requirements of 28 U.S.C. § 1404(a) and with a supporting affidavit.

Not only did Surco fail to carry its burden within the context of a procedural analysis, but also inextricably bound with this defect are the substantive deficiencies of Surco's choice of venue. In essence, the only connection of this cause with the forum of the Southern District of Florida is the location of Surco in Hialeah, Florida prior to January of 1980 and the residency of four of Surco's witnesses in the Miami vicinity. Since January of 1980, however, Surco has had its principal place of business in Pittsburgh, Pennsylvania. As to the convenience of witnesses aspect, an equal number of defendants' principal witnesses reside in the Tampa vicinity. Further, none of the parties nor documents or records in the cause are located in the Southern District of Florida.

Conversely, two of the parties to this action presently reside in the Tampa vicinity. The only documents and other records pertaining to the main

action and to the defenses and counterclaims of the defendants that are located within the State are in Tampa, Florida. Moreover, any alleged act of infringement by defendants, as asserted in the complaint, occurred within the Middle District of Florida, and not in the Southern District.

In conclusion, the Court finds that the operative facts underlying this cause of action have no material connection with the Southern District of Florida. Viewed both quantitatively and qualitatively, plaintiff has not clearly shown that the convenience of parties and witnesses favor transfer to the Southern District of Florida. The Court further finds that this civil action could have been brought originally in the Middle District of Florida and that the defendants have made a clear showing that the processing of this case in the Middle District of Florida is warranted for the convenience of the parties and witnesses and in the interest of justice.

It is therefore,

ORDERED and ADJUDGED that the above-styled cause be transferred pursuant to 28 U.S.C. § 1404(a) by the Clerk of the Court of this district to the United States Court for the Middle District of Florida for disposition.

TANDY CORPORATION, Plaintiff, v. **PERSONAL MICRO COMPUTERS, INC.**; Eaca International, Ltd.; Eaca Electronics Corp. of America Compumart; Consumer Computers Mailholder; Simutek Computer Products; Robitaille & Sons Enterprise, Inc., d/b/a Tse Hardside; and Roger W. Robitaille, d/b/a the Software Exchange, Defendants

No. C-81-0744 RFP

(United States District Court, N. D. California—August 31, 1981)

524 F.Supp. 171. 214 USPQ 178

Suit was instituted on counts alleging copyright infringement, unfair competition under federal and state law, assumpsit, and interference with prospective advantage. On motion of defendant to dismiss infringement count, the District Court, Peckham, Chief Judge, held that: (1) a computer program is a "work of authorship" which is subject to copyright and a silicon chip upon which program is imprinted is a "tangible medium of expression" which will subject a program so fixed to copyright laws, and (2) theory that silicon chip upon which properly copyrighted computer program as imprinted was duplicated by first taking a visual display or printout of program, making a copy of that display or printout, and then having program imprinted onto a silicon chip fell within infringement claim based on unauthorized duplications and, if proven, was within reach of federal copyright laws.

Motion denied.

1. Copyrights and Intellectual Property

A computer program is a "work of authorship" subject to copyright and a silicon chip is a "tangible medium of expression" which will subject a program fixed in that form to copyright laws. 17 U.S.C.A. §§ 102, 102(a), 117.

See publication Words and Phrases for other judicial constructions and definitions.

2. Copyrights and Intellectual Property

Imprinting of a computer program on a silicon chip, which then allows computer to read program and act upon its instructions, falls within statutory provision that works of authorship can be fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated. 17 U.S.C.A. §§ 102, 102(a), 117.

3. Copyrights and Intellectual Property

Application of the pre-1978 law is not required to determine whether a silicon chip on which a properly copyrighted computer program is imprinted is a copy within meaning of the copyright laws. 17 U.S.C.A. § 117.

4. Copyrights and Intellectual Property

As it existed in 1976, statutory provision governing use of copyrighted work in conjunction with automatic systems capable of storing, processing, retrieving, or transferring information was aimed at problem of copyrighting material inputted into a computer, such as books, magazines, and even computer programs, but since it did not refer to unauthorized duplication of a silicon chip upon which a properly copyrighted computer program is imprinted, provision was not intended to provide a loophole by which someone could duplicate a program fixed on a silicon chip. 17 U.S.C.A. § 117.

5. Copyrights and Intellectual Property

Duplication of a silicon chip upon which a properly copyrighted computer program is imprinted is not the use of a copyrighted program "in conjunction with" a computer, but is simply the act of copying a chip. 17 U.S.C.A. § 117.

See publication Words and Phrases for other judicial constructions and definitions.

6. Copyrights and Intellectual Property

Theory that silicon chip upon which properly copyrighted computer program was imprinted was duplicated by first taking a visual display or printout of program, making a copy of that display or printout, and then having program imprinted onto a silicon chip fell within infringement claim based on unauthorized duplication and, if proven, was within reach of federal copyright laws.

John N. Hauser, Barry P. Goode, Jesse W. Markham, Jr., McCutchen, Doyle, Brown & Enerson, San Francisco, Cal., for plaintiff Tandy Corp.

Thomas E. Schatzel, Peter W. Gumaer, Law Offices of Thomas E. Schatzel, Santa Clara, Cal., for defendants Personal Micro Computers, EACA Intern., Ltd., EACA Electronics Corp., of America, Consumer Computers Mailholder and Simutek Computer Products.

James R. Irwin, Shider, McBroom, Gates & Baldwin, Seattle, Wash., John F. Taylor, Linda E. Stanley, Dinkelspiel & Dinkelspiel, San Francisco, Cal., for third party defendant Microsoft.

PECKHAM, *Chief Judge*. Plaintiff has sued defendants, stating five causes of action: (1) copyright infringement; (2) unfair competition under federal law, pursuant to 15 U.S.C. § 1125; (3) unfair competition under state law, pursuant to Calif. Business and Prof. Code § 17200 *et seq.*; (4) assumpsit; and (5) interference with prospective advantage (unjust enrichment). The dispute centers around the alleged duplication of a computer program for which the copyright is held by the plaintiff.

Defendants moved to dismiss all of the claims for relief. Their papers, however, focused almost exclusively on the first claim, copyright infringement. They made virtually no attempt to argue their motion as to the other four claims for relief. At the hearing on the motions, the court indicated that it was prepared to deny the motion as it related to counts two through five of the complaint, and counsel for the defendant indicated that they would withdraw the motion as to those four counts. The court will therefore address only the first count of the complaint.

Tandy Corporation, the plaintiff, is the manufacturer of the Radio Shack TRS-80, which is a computer designed for home use. This computer includes what is called an "input-output routine." This is a computer program which tells the computer how to take the information which is put into the computer by an operator in one computer language and translate that information into a more simplified "machine" language which the computer can understand. For obvious reasons, this program is crucial to the operation of the computer, and it is this program which is the subject of the lawsuit. Plaintiff claims that defendants copied that program from the TRS-80, changing only certain items which specifically identify the program as "Radio Shack" or "Tandy," and then used it in their own computer designed for home use, called the PMC-80.

The basis of this motion to dismiss stems from the method by which this program is placed into and stored in the computer. The technology of computers has reached the point where programs can be imprinted directly onto silicon chips. Those chips are then permanently wired into the computer. This type of information storage is called "Read Only Memory" or "ROM." The defendants contend that ROM chips are not "copies" of the original computer program within the meaning of the federal copyright laws, and that therefore a ROM chip which is a copy of another ROM chip does not infringe the copyright covering the original program. The plaintiff disputes that claim, suggesting that this form of fixation was covered at the relevant time by the copyright laws.

[1] There is no dispute that the court is to initially look to the Copyright Act which was passed by Congress in 1976 and went into effect on January 1, 1978. P.L. 94-553, 90 Stat. 2541. Looking first to sections 101 and 102 of that Act, 17 U.S.C. § 101, § 102, the court is convinced that under those provisions (1) a computer program is a "work of authorship" subject to copyright, and (2) that a silicon chip is "tangible medium of expression,"

within the meaning of the statute, such as to make a program fixed in that form subject to the copyright laws.

[2] There can be little doubt that computer programs themselves are among the "works of authorship" covered by the Copyright Act. In fact, the legislative history indicates that Congress understood that computer programs were subject to copyright protection under the law as it existed prior to the 1976 act, as well as under the new statute. *See, e.g.*, House Report No. 1476, 94th Cong., 2nd Sess. (1976) at 51, *reprinted in* [1976] *U.S. Code Cong. and Admin. News* 5659, 5664. The defendants do not appear to dispute this point. Moreover, the statute itself states that works can be "fixed" in "any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, *either directly or with the aid of a machine or device.*" 17 U.S.C. § 102(a) (emphasis added). If any doubt is left by the wording of the statute, the legislative history makes clear the all inclusive nature of the definition of "fixed" form:

Under the bill it makes no difference what the form, manner or medium of fixation may be—whether it is in words, numbers, notes, sounds, pictures or any other graphic or symbolic indicia, whether embodied in a physical object in written, printed, photographic, sculptural, punched, magnetic, or other stable form, and whether it is capable of perception directly or by means of any machine or device "now known or later developed."

House Report No. 1476, *supra* at 52, *reprinted in* [1976] *U.S. Code, etc.*, *supra* at 5665. The imprinting of a computer program on a silicon chip, which then allows the computer to read the program and act upon its instructions, falls easily within this definition. *But see Data Cash Systems, Inc. v. JS&A Group Inc.*, 480 F.Supp. 1063, 1066 n.4 (N.D.Ill.1979) (stating in dicta that under the 1976 copyright act, the duplication of a ROM would not be actionable), *affirmed on other grounds*, 628 F.2d 1038 (7th Cir. 1980).

If this was the end of the matter, the court would have no difficulty in resolving the question. However, the 1976 act also contained a section which stated,

Notwithstanding the provisions of sections 106 through 116 and 118, this title does not afford to the owner of copyright in a work any greater or lesser rights with respect to the use of the work in conjunction with automatic systems capable of storing, processing, retrieving, or transferring information, or in conjunction with any similar device, machine, or process, than those afforded to works under the law, whether title 17 or the common law or statutes of a State, in effect on December 31, 1977, as held applicable and construed by a court in an action brought under this title.

17 U.S.C. § 117 (repealed).^{*} Defendants contend that this language requires this court to apply the law as it existed prior to January 1, 1978 to

^{*}This language in section 117 was repealed in 1980. *See* P.L. 96-517, 94 Stat. 3015. There is no claim that this amendment is applicable to this matter.

determine whether the ROM chip was a “copy” within the meaning of the copyright laws. Under the law of *White-Smith Publishing Co. v. Apollo*, 209 U.S. 1, 28 S.Ct. 319, 52 L.Ed. 655 (1908), the defendants assert that it cannot be so considered. Plaintiff, on the other hand, argues that section 117 does not require the application of the pre-1978 law to determine whether the ROM chip is a “copy.” Moreover, it argues that the evidence developed to date suggests the possibility that the defendants made their copy of the ROM chip by copying a visual or printed display of the program, and then imprinting it on the chip. Finally, the plaintiff argues that the pre-1978 copyright law would allow this court to find that the ROM chip was a “copy” within the meaning of that law. Because the court is persuaded by the plaintiff’s first two assertions, there is no reason for it to reach the last issue.

[3] First, section 117 makes clear on its face that its direction to apply pre-1978 law is not to apply to sections 101 and 102 of the act, which, as previously noted, clearly allows a program in this form to be copyrighted and protected. The legislative history confirms this interpretation. House Report No. 1476, *supra*, at 116, *reprinted in* [1976] *U.S. Code, etc., supra*, at 5731. Section 117 modified only sections 106 through 116 and 118, which are the sections concerned with the scope of copyright protection. Defendants correctly pointed out in their papers that it would “not make any logical sense” to suggest that Congress meant, by enacting section 117, to allow computer programs fixed in this manner to be copyrighted, but to then not afford them any protection. Defendants’ Reply to Plaintiff’s Opposition to Defendants’ Motion to Dismiss, filed July 31, 1981, at 4–5. The court, however, does not agree with defendants’ conclusion therefrom that the court is to look to pre-1978 law, and not to sections 101 and 102 of the 1976 act, to determine whether the ROM chip is a “copy.” Instead, the court is convinced that the Congress was only addressing itself in section 117 of the 1976 act to the problems surrounding the input into computers of properly obtained copyrighted materials.

The legislative history and the subsequent revision of section 117 clearly indicates that the Congress was concerned with the issue of the rights of a copyright holder when copyrighted material is inputted into a computer. The House Report indicates that the Congress was uncertain what to do about “computer uses of copyrighted works.” House Report No. 1476, *supra*, at 116, *reprinted in* [1976] *U.S. Code and Admin. News, supra*, at 5731 (emphasis added). Moreover, when the section was revised in 1980, the new language defined the extent to which a computer program could be inputted into a computer system by a rightful owner of a copy of the program. P.L. 96–517, 94 Stat. 3015, 3028–29. Most importantly, the actual language of the original section 117 refers to use of copyrighted material “in conjunction with” computer-type systems.

[4, 5] All of this evidence convinces the court that section 117, as it existed in the 1976 act, was aimed at the problem of copyrighted material inputted into a computer, such as books, magazines, and even computer programs. It was not intended to provide a loophole by which someone could duplicate a computer program fixed on a silicon chip. It did not refer to the unauthorized duplication of a silicon chip upon which a properly copyrighted computer program is imprinted. Such a *duplication* of a chip is not the use of a copyrighted program "in conjunction with" a computer; it is simply the copying of a chip. Moreover, any other interpretation would render the theoretical ability to copyright computer programs virtually meaningless. See 2 *Nimmer on Copyright* § 8.08, at 8-106.3-8-106.4.

The court recognizes that another district court has held differently. *Data Cash Systems, Inc. v. JS&A Group, Inc.*, 480 F. Supp. 1063 (N.D. Ill. 1979). However, the Court of Appeals, in considering the same case, noted that neither side had briefed or argued the matter based on the reasoning of the district court, and it explicitly stated that it was not passing on the merits of the district court's ruling. *Data Cash Systems, Inc. v. JS&A Group, Inc.*, 628 F.2d 1038, 1041 (7th Cir. 1980). Moreover, it is arguable that the basis upon which the Seventh Circuit affirmed the lower court's decision requires implicitly the rejection of the reasoning relied on by the district judge. See 2 *on Nimmer on Copyright*, at 8-106.3 n.18. This court is not compelled to follow the reasoning of the district court in Illinois, nor are we convinced of the merits of the basis of that decision.

[6] There is an additional reason for rejecting this motion to dismiss. Whatever the merits of the defendants' argument concerning the direct duplication of the silicon chip, the plaintiff has suggested that the evidence may well show that the chip was duplicated by first taking a visual display or printout of the program in question, making a copy of that display or printout, and then having that program imprinted into a silicon chip. The theory of duplication falls within the pleading of the complaint, which simply indicates that the program imprinted on the plaintiff's ROM chip is duplicated on the defendants' ROM chip. If this method of unauthorized duplication in fact is proved, there can be no doubt that the unauthorized duplication of a visually displayed copy of the program would fall within the reach of the federal copyright laws.

Therefore, for both these reasons, the motion to dismiss is DENIED.
SO ORDERED.

TRANSGO, INC. v. AJAC TRANSMISSION PARTS CORP., et al.

No. CV 77-278

(United States District Court, C. D. California—Decided February 12, 1981)

211 USPQ 217

[See also 211 USPQ 25 (C.D. Cal., Jan. 14, 1981); 768 F.2d 1001, 225 USPQ 458, 227 USPQ 598, 49 C.O.Bull.____ (9th Cir.—*Affirmed*, Jan. 15, 1985—*As amended*, Aug. 15, 1985)]

Action by Transgo, Inc., against Ajac Transmission Parts Corp., Jerry Jacoby, and Fairbanks Racing Automatics, for trademark infringement, copyright infringement, Lanham Act violations, and unfair competition, in which defendants counterclaim. Judgment for plaintiff.

Trademarks**1. Marks and names subject to ownership—Descriptive—Particular marks**

“Shift Kit,” used in connection with transmission kit products, is not common or generic, but is descriptive term.

UNFAIR COMPETITION**2. Fraud, deception and palming off**

Palming off or “passing off” is deliberate effort by person to induce purchaser to believe that his product is actually product of another; it requires that person have actual intent to deceive purchaser; essence of “passing off” is attempt by one person to induce customers to believe that his products are actually those of another.

TRADEMARKS**3. Fraud and Misrepresentation****UNFAIR COMPETITION****Contributory unfair competition****Fraud, deception and palming off**

One who induces another to commit fraud or illegal act and furnishes means for doing so is equally responsible and liable; as general rule, when one supplies others with tool for committing fraud upon public or means by which others are able to mislead purchaser, he is responsible for any passing off, infringement, or unfair trade practice that may be caused by these others in using tools or means supplied to them; when one sets stage so third parties can benefit from expected confusion in dealing with their customers, he cannot avoid sharing blame and liability.

TRADEMARKS**UNFAIR COMPETITION****4. Accounting—Increased or treble damages or profits**

Punitive or exemplary damages may be awarded where conduct injuring property or trade identity rights of another has been maliciously, wantonly, or oppressively done, and actual or compensatory damages can be shown; objective of awarding punitive and exemplary damages is to punish particular wrongdoers, serve as example and warning to others similarly situated, and deter particular wrongdoers and others similarly situated from doing such wrongful acts in future.

**TRADEMARKS
UNFAIR COMPETITION****5. Costs—Attorney's fees**

Reasonable attorney fees may be awarded in actions brought under Lanham Act in exceptional cases; acts of infringement must be deliberate, fraudulent, malicious, or willful.

COPYRIGHTS**6. Costs—Attorney's fees**

Attorney fees may be awarded under laws relating to copyright; award of fees under copyright laws is appropriate where defendant has willfully or deliberately infringed copyright.

COPYRIGHTS**TRADEMARKS****UNFAIR COMPETITION****7. Costs—Attorney's fees**

Attorney fees may be awarded when court finds that losing party has engaged in bad faith or inequitable conduct that would make it grossly unjust for prevailing party to be left with burden of its litigation expenses.

UNFAIR COMPETITION**8. Costs—Attorney's fees****Pleading and practice in courts—State law considered**

Attorney fees may be awarded under California unfair competition law only in cases of price discrimination, secret rebates, and loss selling.

COPYRIGHTS**TRADEMARKS****UNFAIR COMPETITION****9. Attorney's fees**

Significant factors that usually determine whether court should exercise its discretion are state of mind of infringer and particular type of acts committed.

John E. Kelly, and Pastoriza & Kelly, both of Santa Monica, Calif., for plaintiff.

James W. Geriak, William L. Respass, and Lyon & Lyon, all of Los Angeles, Calif., and Alphonse R. Noe, and St. Onge, Steward, Johnston, Reens & Noe, both of Stamford, Conn., for defendants.

WATERS, *District Judge*. This action was tried by a jury in March and April 1980 and specifically on the following days: March 18, 19, 20, 21, 25, 26, 27, 28, and 31 and April 1, 2, 3, 4, 9, 10, 11, 14, 15, 16, 17, 18, 22, 23 and 24.

The case was submitted to the jury on April 24, 1980, and the jury rendered its Verdict and Answers to Interrogatories on April 28, 1980. Judgment on the Verdict was entered on May 9, 1980, and a notice of entry was sent to all counsel.

These Findings of Fact and Conclusions of Law are made in connection with the Court's order awarding attorney fees to Plaintiff and in connection with the injunctive relief granted to Plaintiff. These Findings of Fact

and Conclusions of Law are based on the Answers of the jury to interrogatories, the Verdict, facts admitted by the parties, testimony and exhibits produced during the six-week trial and various post-trial motions resolved by the Court.

Findings of Fact

1. Plaintiff Transgo Inc. (hereafter usually referred to as Transgo) is a corporation of California having its principal business office in El Monte, California within this Judicial District. Transgo is engaged in the business of manufacturing transmission kits usable in normal passenger cars that are marketed in interstate commerce.

2. The Defendant Ajac Transmission Parts Corp. (hereafter usually referred to as Ajac) is a corporation of the State of New York with its principal place of business in Elmont, New York. Ajac is a "repackager" engaged in the business of repackaging automatic transmission parts that are distributed in the United States and foreign countries to customers and the transmission industry.

3. The Defendant Jerry Jacoby (hereafter usually referred to as Jacoby) wholly owns and is the President of Ajac, is a resident of the State of New York and has his principal place of business in Elmont, New York.

4. The Defendant Fairbanks Racing Automatics is a division of Fairbanks America Inc. (hereafter collectively referred to as Fairbanks) which is a New York corporation having its principal place of business in Stamford, Conn. Fairbanks has been in the business of producing automotive competition racing automatic transmissions and automatic transmission component part kits for approximately 25 years, and, manufactures transmission kits usable in normal passenger cars that are marketed in interstate commerce.

5. The Court has jurisdiction over all of the parties and subject matter and venue is proper.

6. Specific jurisdiction over Plaintiff's claims is established as follows: first claim under the U.S. copyright laws 17 USC 1 et seq., 28 USC 1338(a), 28 USC 1400(a); second claim diversity of citizenship, 28 USC 1332(a); the Lanham Act, 15 USC 1051 et seq., 15 USC 1125(a), 28 USC 1338, and 28 USC 1391; the third claim diversity of citizenship, 28 USC 1332(a), Lanham Act, 15 USC 1051 et seq., 15 USC 1125(a), 28 USC 1338 and 28 USC 1391.

6. Specific jurisdiction over Defendants' counterclaims is based upon 28 USC 2201 and 2202, the Federal Rules of Civil Procedure Rule 13, 28 USC 1332 and 1338. Venue is proper under 28 USC 1391.

7. Around the year 1967, Transgo started to display the name "SHIFT KIT" on the boxes and packaging inserts used with the transmission kits directed to normal passenger car use designed to improve and modify the shifting characteristics of vehicle transmissions.

8. In September/October 1976 Fairbanks commenced marketing transmission kits for normal passenger car use under the name "SHIFT KIT" presented in relatively large lettering on product boxes.

9. Soon after Jacoby organized and incorporated Ajac around 1966 Ajac started purchasing transmission kits directed to normal passenger car use directly from Transgo and continued to do so until about the time of this controversy. During their ten years of direct dealings the sales of transmission kits by Transgo to Ajac and Jacoby exceeded Two Hundred Thousand Dollars (\$200,000.00).

10. Both Transgo and Fairbanks use part numbering systems including the prefix SK for 18 of their directly competing transmission kits as follows: SK-400; SK-425; SK-250; SK-350; SK-6; SK-4; SK-4L; SK-4S; SK-4SL; SK-4-71; SK4-73; SK-C3; SK-3V; SK-3VL; SK3-67; SK3-73; SK-TF and SK-TG. Transgo and Fairbanks also use the prefix PG for designating two of their competing transmission kits i.e., PG-1 and PG-7. Each and every one of these part numbers was first used by Transgo.

11. Instruction sheets are inserted in the boxes used for packaging the transmission kits marketed by Transgo and Fairbanks.

12. After this lawsuit was commenced, Transgo obtained nine U.S. copyright registrations for instruction sheets.

13. Ajac sold to Fairbanks transmission kits with all Transgo's instruction sheets included in transmission kits prior to any development of Fairbanks' corresponding instruction sheets. On several occasions between 1974 and April 1976 Fairbanks purchased full sets of Transgo's transmission kits directed to normal passenger car use and sold under the name SHIFT KIT, directly from Ajac for purposes of checking, evaluation and testing.

14. Fairbanks obtained sales information and the pricing structure regarding Transgo's transmission kit line directed to normal passenger car use, from Ajac. Some of this information was considered as "confidential" by Ajac and Jacoby.

15. Ajac planned to discontinue stocking Transgo's transmission kits directed to normal passenger car use and sold under the name SHIFT KIT as soon as Fairbanks transmission kits directed to normal passenger car use and sold under the name SHIFT KIT were available for shipment.

16. Prior to shipping Fairbanks' transmission kits none of Ajac's officers, including Jacoby had any formal practice of informing their personal accounts that Fairbanks transmission kits would be shipped or that Transgo transmission kits would not be shipped.

17. No bulletin, letter or other written notification was sent by Ajac or Jacoby to their salesmen regarding the availability of Fairbanks transmission kits prior to the earliest shipments of Fairbanks transmission kits to Ajac's accounts.

18. For approximately ten years prior to shipment of the Fairbanks transmission kits, Ajac had only and exclusively carried and sold transmission kits for normal passenger car use, manufactured by Transgo since Transgo was the only manufacturer of transmission kits for normal passenger car use.

[1] 19. The name SHIFT KIT used in connection with transmission kit products is not a common name or generic (Jury Interrogatory No. 1) but is a descriptive term (Jury Interrogatory No. 2).

20. The primary significance of the name SHIFT KIT is to identify Plaintiff as the exclusive manufacturing source of the goods to which the name is applied (Jury Interrogatory No. 4).

21. When the name SHIFT KIT was first used by Plaintiff it was arbitrary and identified Plaintiff as the exclusive manufacturing source (Jury Interrogatory No. 5).

22. The name SHIFT KIT is Plaintiff's trademark (Jury Interrogatory No. 6).

23. The product designations including the prefixes SK and PG as used by the parties for transmission kit products are not descriptive terms (Jury Interrogatory No. 8).

24. The product designations including the prefix letters SK and PG were arbitrary when first used by Plaintiff and identified Plaintiff as the exclusive manufacturing source (Jury Interrogatory No. 11).

25. The product designations including the prefix letters SK and PG are Plaintiff's exclusive designations of origin (Jury Interrogatory No. 12).

26. The product designations including the prefix letters SK and PG constitute Plaintiff's proprietary numbering system and are Plaintiff's exclusive trademarks (Jury Interrogatory No. 13).

27. The nine instruction sheets for which Plaintiff claims and asserts copyright protection contain substantial original and creative material (Jury Interrogatory No. 20).

28. The early instruction sheets used by Defendants were substantially similar to copyrighted material in Plaintiff's nine instruction sheets for which it claims copyright protection (Jury Interrogatory No. 21).

29. Plaintiff's nine U.S. copyright registrations being asserted against the Defendants are valid (Jury Interrogatory No. 22).

30. Fairbanks directly or contributorily passed off its goods as Plaintiff's goods (Jury Interrogatory No. 24).

31. Ajac directly or contributorily passed off Fairbanks goods as Transgo's goods (Jury Interrogatory No. 25).

32. All of the Defendants, Fairbanks, Ajac and Jacoby conspired and acted in concert to injure Plaintiff in an unlawful manner (Jury Interrogatory Nos. 26 and 27).

33. All of the Defendants deliberately and willfully copied Transgo's brand name and trademark SHIFT KIT for their directly competing line

of transmission kits with the aim of passing off Fairbanks transmission kits as Transgo's established transmission kits.

34. All of the Defendants deliberately and willfully copied Transgo's part numbering system using the prefix letters SK and PG for their directly competing line of transmission kits with the aim of passing off Fairbanks transmissions kits as Transgo's established transmission kits.

35. The Defendants worked together in deliberately and willfully copying Transgo's instruction sheets.

36. All of the Defendants deliberately and willfully copied Transgo's name SHIFT KIT and part numbering system to induce and enable others to pass off Fairbanks transmission kits as Transgo's established transmission kits.

37. All of the Defendants conspired and combined in a concerted action to injure Plaintiff's property rights and trade identity rights.

38. All of the Defendants conspired and combined in a concerted action to infringe Plaintiff's trademarks, designations of origin and copyrights.

39. All of the Defendants conspired and combined in a concerted action to pass off Fairbanks transmission kits as Transgo's established transmission kits and to induce others to likewise pass off Fairbanks transmission kits as Transgo's transmission kits.

40. Defendant's conduct in imitating and injuring Transgo's trade identity rights and property rights, both individually and in combination with one another, was extraordinary and done maliciously, wantonly and oppressively.

41. The conduct of Defendants has caused many transmission rebuilders and transmission shop owners to be actually confused and deceived into believing that the Fairbanks transmission kits were Transgo's transmission kits.

42. Plaintiff did not file its motion requesting attorney fees until May 23, 1980, fourteen days after the entry of judgment herein. However, plaintiff has claimed fees throughout this action, and plaintiff stated its intention to request attorney fees in Court on April 24, 1980, after the jury returned its verdict.

43. Defendants filed all their motions under Rule 59 of the Federal Rules of Civil procedure on May 19, 1980, ten days after the entry of judgment herein.

44. The hourly rates charged by plaintiff's counsel throughout this litigation (\$65 and \$75 per hour) were reasonable.

45. The quality of the work of plaintiff's counsel was high.

46. The number of hours devoted to the case by plaintiff's counsel was reasonable.

47. All of the actions taken by plaintiffs in this case and in the District of Connecticut in a case filed by Fairbanks were reasonably calculated to advance plaintiff's interests and protect plaintiff's competitive rights. The

award of fees will be based on the efforts of plaintiff's counsel without an allocation of fees resulting from the various issues raised by the parties.

48. No award of fees will be given to plaintiff for its efforts in the Western District of Pennsylvania regarding defendants' efforts to enforce subpoenas. Plaintiff should not have been directly involved in that action.

49. Plaintiff's counsel was precluded from taking other employment due to this case, because trial of this case spanned twenty-four days and the preparation for such a lengthy trial was time consuming.

50. Plaintiff obtained a substantial monetary judgment and injunctive relief protective of its competitive rights.

51. The actual fee charged by plaintiff's counsel was reasonable; thus, plaintiff will be awarded the actual fee charged. The award will not contain an amount for plaintiff's efforts in the Western District of Pennsylvania.

Conclusions of Law

1. The jury has determined and the Court concludes that the name SHIFT KIT is Plaintiff's trademark and Defendants have committed trademark infringement.

2. The jury has determined and the Court concludes that the letters SK and associated part numbers are Plaintiff's part numbers and Defendants have committed trademark infringement.

3. The jury has determined and the Court concludes that the name SHIFT KIT the letters SK and associated part numbers are Plaintiff's exclusive designations of origin and Defendants have wrongfully used them to falsely designate the origin of their goods.

4. The jury has determined and the Court concludes that nine of Plaintiff's instruction sheets are protected by valid U.S. copyright registrations and the Defendants have committed copyright infringement.

5. The jury has determined and the Court concludes that the Defendants have committed unfair competition in part by passing off their goods as Plaintiff's goods, trademark infringement, copyright infringement and false designation of origin.

[2] 6. Palming off or "passing off" is a deliberate effort by a person to induce a purchaser to believe that his product is actually the product of another. It requires that the person have an actual intention to deceive the purchaser. The essence of "passing off" is an attempt by one person to induce customers to believe that his products are actually those of another. The Defendants individually and jointly passed off the transmission kits manufactured by Fairbanks as the established transmission kits manufactured for many years by Transgo. One trader may not sell his own goods under the pretense that they are the goods of another and the law relating to unfair competition forbids such deception as practiced by the Defendants.

Ross-Whitney Corp. v. Smith Kline & French Labs 207 F.2d.190, 99 USPQ 1 (9th Cir. 1953);

Mershon v. Pachmayr 220 F.2d. 879, 105 USPQ 4 (9th Cir. 1955);

Quabaug Rubber Co. v. Fabiano Shoe Co. Inc. 567 F.2d. 154, 195 USPQ 689 (1st Cir. 1977);

Goodyear's India Rubber Glove Mfg. Co. v. Goodyear Rubber Co., 128 US 598, 604 (1888).

[3] 7. Similarly one who induces another to commit a fraud or illegal act and furnishes the means for doing so is equally responsible and liable. As a general rule when one supplies others with the tools for committing a fraud upon the public or the means by which others are able to mislead a purchaser, he is responsible for any passing off, infringement or unfair trade practice that may be caused by these others in using the tools or means supplied to them. Defendants are guilty of these practices. When one "sets the stage" so third parties can benefit from expected confusion in dealing with their customers, he cannot avoid sharing the blame and liability. There was substantial actual confusion established at trial.

American Philatelic Society v. Claibourne 3 Cal. 2d. 689, 697 (Cal. Su Ct. 1935);

Reid Murdoch & Co. v. HP Coffee Co. 48 F.2d. 817, 8 USPQ 420 (8th Cir. 1931);

Cheseborough Mfg. Co. v. Old Gold Chemical Co. Inc. 70 F.2d 383, 21 USPQ 304 (6th Cir. 1934).

8. A civil conspiracy is a combination of two or more persons or companies who by concerted action, knowingly intend to accomplish some unlawful purpose or accomplish some lawful purpose by unlawful means and thereby cause injury or damage to the rights of others. The Defendants combined in a conspiracy to injure Plaintiff's multiple trade identity rights and property rights. Each tortfeasor and member of a conspiracy becomes the agent for every other member and is liable even though one or more of the members may not have made any actual monetary profits.

Clark v. Bunker 453 F.2d. 1006, 172 USPQ 420 (9th Cir. 1972);

Tri-ton Intern v. Velto 525 F.2d 433, 438, 188 USPQ 177, 181-182 (9th Cir. 1975)

Donsco Inc. v. Casper Corp. 587 F.2d 602, 199 USPQ 705 (3d Cir 1978).

9. The jury has determined and the Court concludes that the Plaintiff is entitled to special and general compensatory damages against the Defendants as follows: \$15,007 assessed against Fairbanks; \$25,006 assessed against Ajac and \$8 assessed against Jacoby.

[4] 10. The Court concludes that the jury was reasonable and acting within the scope of its discretion in awarding punitive and exemplary damages to Plaintiff and against all of the Defendants as follows \$50,000 punitive or exemplary damages against Ajac; \$50,000 punitive or ex-

emplary damages against Jacoby and \$1 punitive or exemplary damages against Fairbanks. Where actual or compensatory damages can be shown as in this case, then punitive or exemplary damages may be awarded where conduct injuring the property or trade identity rights of another has been maliciously, wantonly or oppressively done. All of the Defendants have acted in reckless disregard of Plaintiff's many property and trade identity rights and have shown their conduct to be malicious, wanton and oppressive. An objective of awarding punitive and exemplary damages is to punish particular wrongdoers, serve as an example and warning to others similarly situated and deter the particular wrongdoers and others similarly situated from doing such wrongful acts in the future.

California Civil Code § 3294

Schroeder v. Auto Drive Away Co. 11 Cal 2d. 908, 114 Cal. Rptr. 523 (1974);

Ward v. Taggart 51 Ca. 2d 736, 336 P.2d 534 (1959).

11. There is no fixed ratio or formula for determining the amount of punitive and exemplary damages relative to compensatory damages. An important factor to be taken into consideration is the relative wealth of the wrongdoers or their ability to respond to an award of exemplary and punitive damages. An award of such extraordinary damages is not excessive so long as it punishes the wrongdoer, such as the Defendants in this case, without causing them financial ruin or destruction.

Wetherbee v. United Ins. Co. of America 18 C.A. 266, 95 Cal. Rptr. 678 (1971);

Oakes v. McCarthy Co. 267 C.A. 2d 231, 73 Cal. Rptr. 127 (1968);

El Ranco Inc. v. First National Bank of Nevada 406 F.2d. 1205 (9th Cir. 1968);

Clark v. Bunker 453 F.2d. 1006, 172 USPQ 420 (9th Cir 1972).

[5] 12. Reasonable attorney fees may be awarded in actions brought under the Lanham Act in exceptional cases. 15 USC § 1117. The acts of infringement must be deliberate, fraudulent, malicious or willful. RCA Records v. Kory, 197 USPQ 908 (E.D.N.Y. 1978); Amana Society v. Gemeinde Brau Inc., 417 F.Supp. 310 (N.D. Ia. 1976) aff'd 557 F.2d 638, 195 USPQ 145 (8th Cir.) cert. denied 434 U.S. 967 (1977)

[6] 13. Attorney fees may be awarded under the laws relating to copyright. 17 U.S.C. § 116. An award of fees under the copyright laws is appropriate where a defendant has willfully or deliberately infringed a copyright.

[7] 14. Attorney fees may be awarded when the Court finds that the losing party has engaged in bad faith or inequitable conduct which would make it grossly unjust for the prevailing party to be left with the burden of its litigation expenses.

[8] 15. Attorney fees may be awarded under California unfair competition law only in cases of price discrimination, secret rebates and loss sell-

ing. *New West Corporation v. NYM Company of California Inc.*, 595 F.2d 1194, 202 USPQ 643 (9th Cir. 1979); *Pachmayr Gunworks Inc. v. Olin Mathieson Chemical Corp.*, 502 F.2d 802, 183 USPQ 5 (9th Cir. 1974).

[9] 16. Significant factors that usually determine whether a Court should exercise its discretion are state of mind of the infringer and the particular type of acts committed. In this controversy, all of the Defendants were deliberate and willful in violating Plaintiff's many trade identity and property rights and their conduct was determined by the jury to be malicious, wanton and oppressive. In addition to committing trademark infringement, copyright infringement and unfair competition, Defendants joined in a civil conspiracy and passed off Fairbanks kits as Transgo's established kits.

17. The Court concludes that this is an extraordinary and exceptional case and the Plaintiff as prevailing party is entitled to an award of reasonably attorney fees.

18. A motion for attorney fees is a motion under Rule 59(e), Federal Rules of Civil Procedure, which requires that a motion to alter or amend judgment be served within ten days after the entry of judgment. *Stacey v. Williams*, 50 F.R.D. 50 (N.D.Miss. 1970) *aff'd* 446 F.2d 1363 (5th Cir. 1971). However, the strict time limits of Rule 59(e) are inapplicable to a party who has claimed attorney fees throughout a litigation. *Fase v. Seafarer's Welfare and Pension Plan*, 79 F.R.D. 363 (E.D. N.Y.1978). Plaintiff's motion for attorney fees is, therefore, timely made.

19. This Court has discretion whether to conduct an evidentiary hearing on plaintiff's motion for attorney fees even if the motion involves disputed facts. Federal Rule of Civil Procedure 43(e). An evidentiary hearing on plaintiff's motion for attorney fees is unnecessary because the Court is intimately familiar with counsels' work and reasonable fees generally.

20. Plaintiff is entitled to injunctive relief restraining defendants from committing further trademark infringement, copyright infringement, unfair competition and false designation of origin. 15 U.S.C. § 1116; 17 U.S.C. §§ 101 and 1112; Cal. Bus. & Prof. Code § 14340; *Drop Dead Co. Inc. v. S.C. Johnson & Son Inc.*, 326 F.2d 87, 139 USPQ 465 (9th Cir. 1963); *Runge v. Lee*, 441 F.2d 579, 169 USPQ 388 (9th Cir. 1971).

21. Plaintiff is entitled to its costs.

TWENTIETH CENTURY-FOX FILM CORPORATION, a corporation; Arcola Pictures, a corporation; Millfield Productions, Inc., a corporation; Columbia Pictures Industries, Inc., a corporation; Irving Allen Limited; American International Pictures, Inc., a corporation; American International Productions (England) Ltd.; Tracom Productions, a corporation; Universal City Studios, Inc., a corporation; Universal Film Exchanges, Inc., a corporation; and Metro-Goldwyn-Mayer, Inc., a corporation, Plaintiffs-Appellees, v. Thomas W. **DUNNAHOO**, individually and doing business as Thunderbird Films, Defendant-Appellant

No. 78-3242

(United States Court of Appeals, Ninth Circuit—Argued and Submitted October 10, 1980—Declared February 2, 1981)

637 F.2d 1338. 209 USPQ 193

Action was brought against motion picture distributor seeking to enforce judgment entered pursuant to stipulation which permanently enjoined defendant from dealing in copyrighted materials of specified motion picture distributors, including plaintiffs. The United States District Court for the Central District of California, Manual L. Real, J., adjudged defendant in contempt of court and enforced the permanent judgment, including its liquidated damages provision, and defendant appealed. The Court of Appeals, Nelson, Circuit Judge, held that: (1) defendant could not obtain relief from enforcement of damages provision of the original judgment under applicable Federal Rule of Civil Procedure; (2) films in question were validly copyrighted and were thus subject to terms of the original judgment; and (3) defendant's reliance on copyright office publications was not sufficient to invoke defense of provision of the original judgment which prohibited award of damages under certain circumstances.

Affirmed.

1. Copyrights and Intellectual Property

Consent judgment permanently enjoining motion picture distributor from using plaintiffs' copyright films was to be treated as a judicial act and not as a contract, and thus award of damages in subsequent infringement suit, as provided for in liquidated damages provision of the original judgment for any violation of the judgment, was not an invalid enforcement of a penalty provision.

2. Federal Civil Procedure

Relief from a judgment under federal rule authorizing the granting of such relief for any reason justifying relief must be requested within a reasonable time and is available only under extraordinary circumstances. Fed.Rules Civ.Proc. Rule 60(b)(6), 28 U.S.C.A.

3. Federal Civil Procedure

Party seeking to avoid liquidated damages provision of consent judgment could not, six years after entry of the judgment, from which he was not constrained from taking an appeal, rely on rule authorizing relief from judgment. Fed.Rules Civ.Proc. Rule 60(b)(6), 28 U.S.C.A.

4. Copyrights and Intellectual Property

In order to comply with provision of the Copyright Act requiring that two copies of a work be "promptly deposited in the copyright office" after copyright has been secured by publication with notice of copyright, it is necessary only that the works be deposited at any time prior to initiation of an infringement suit; the deposit requirement is merely a limitation on ability to bring an action for infringement at a particular time and has no effect whatsoever on validity or enforceability of a copyright. 17 U.S.C.A. §§ 407, 411.

5. Copyrights and Intellectual Property

It is unimportant to enforceability of a copyright that deposit of two copies in copyright office did not occur immediately after publication, with notice of copyright; the deposit does not even have to have been prior to acts of infringement in order to maintain a suit to enjoin infringement and recover damages. 17 U.S.C.A. §§ 407, 411.

6. Copyrights and Intellectual Property

Copyright notice on continuous strip of celluloid at end of film print was not defective as a tag even though there was a blank portion of the continuous strip between final credits of the film and the notice. 17 U.S.C.A. § 401; Copyright Rules & Regulations, § 202.2(b)(9), 17 U.S.C.A. foll. § 702.

7. Copyrights and Intellectual Property

Notice of copyright affixed to film as part of credits at beginning of the work was proper. 17 U.S.C.A. § 401; Copyright Rules & Regulations, § 202.2(b)(9), 17 U.S.C.A. foll. § 702.

8. Copyrights and Intellectual Property

Only authorized publications must carry a copyright notice in order to maintain copyright protection for the work. 17 U.S.C.A. § 401.

9. Federal Court

In action brought against motion picture distributor seeking to enforce judgment pursuant to stipulation prohibiting defendant from dealing in copyrighted materials of plaintiffs, district court's implicit finding that print in defendant's possession was not an authorized publication, thus indicating that copyright protection for the work was not lost by release of an unauthorized print without notice, was not clearly erroneous. 17 U.S.C.A. § 401.

10. Copyrights and Intellectual Property

Proper copyright notice affixed to a work guarantees protection. 17 U.S.C.A. § 401.

11. Copyrights and Intellectual Property

Provision of stipulated judgment permanently enjoining motion picture distributor from dealing in copyrighted materials of specified motion picture distributors that damages provided for in the judgment would not be recovered "where an official publication of the United States Copyright Office specifically indicates that a valid and effective copyright does not exist in favor of any of the plaintiffs" did not provide defendant with a defense in subsequent infringement action where defendant, who did not find records of registration, searched only certain catalogues selected on basis of his erroneous interpretation of requirements for effective copyright protection.

Paul P. Flynn, Sapin & Flynn, Beverly Hills, Cal., for defendant-appellant.

David A. Gerber, Loeb & Loeb, Los Angeles, Cal., for plaintiffs-appellees.

Appeal from the United States District Court for the Central District of California.

Before WALLACE and NELSON, Circuit Judges, and WEIGEL,* District Judge.

NELSON, *Circuit Judge*. Appellant Thomas W. Dunnahoo, individually and doing business as Thunderbird Films, appeals from a district court order adjudging him in contempt of court and enforcing the Judgment Pursuant to Stipulation entered July 5, 1972, with respect to three films, "Let That Be Your Last Battlefield", "The Producers", and "The MGM Story". The original judgment permanently enjoined Dunnahoo from dealing in the copyrighted materials of specified motion picture distributors, including appellees [distributors]. Dunnahoo advances several arguments on appeal which, if successful, would render the original judgment inapplicable to the films and violations in question. Because we find that none of the arguments has merit we affirm the district court's order.

FACTUAL BACKGROUND

Dunnahoo and the distributors are parties to the judgment entered July 5, 1972. Essentially, this judgment permanently enjoined Dunnahoo, a distributor of motion picture photoplays who offers non-copyrighted materials for sale to the general public, from using in any way the copyrighted materials of the distributors. The judgment provides a streamlined procedure for enforcement of the specified distributors' copyright rights. The distributors brought the present action against Dunnahoo to enforce the original judgment with respect to four films, "Let That Be Your Last Battlefield", "The Producers", "The MGM Story", and the "The Courage of Lassie". Their contention was that Dunnahoo was copying, selling, and offering to sell these particular films, for which the distributors held copyrights, in violation of the judgment. The films were, in fact, deposited and registered with the Copyright Office at the time Dunnahoo obtained his prints and offered the works through his business.

The district court, after finding that the original judgment enjoined Dunnahoo from "selling or offering to sell prints or negatives of motion pictures copyrighted by Metro-Goldwyn-Mayer Inc., Paramount Pictures Corp., and Avco Embassy Pictures Corp., among others," held Dunnahoo in contempt of court and in violation of the judgment with respect to all the films, except "The Courage of Lassie", for knowingly offering to sell prints of copyrighted materials. The court awarded \$40,000 in damages for the violations, as mandated by the damages provision of the

* Honorable Stanley A. Weigel, United States District Judge, Northern District of California, sitting by designation.

original judgment. This appeal is from the district court's order, and in particular from the enforcement of the judgment with respect to the three films in question and the award of \$40,000.

Dunnahoo argues that the district court order is erroneous for several reasons. He contends that the award of \$40,000 in damages pursuant to the damages provision of the original judgment is an improper enforcement of a penalty. Moreover, he asserts that the three films with respect to which the district court found he had violated the original judgment do not have effective copyright protection for various procedural and technical reasons, and thus are not within the scope of the original judgment. Finally, he suggests that even if his other claims are not successful, the original judgment provides him with an affirmative defense to the enforcement of the damages provisions for any violations with respect to the three films of concern in this appeal. We will consider each of Dunnahoo's contentions separately.

DISCUSSION

I. *Consent Decree a Judgment*

[1] Dunnahoo's first argument is that the district court's award of \$40,000 in damages, as provided for in the liquidated damages provision of the original judgment for any violation of the judgment, is an invalid enforcement of a penalty provision. He contends that because the judgment was entered by consent of the parties it should have the effect of a contract rather than a judgment. As a contract, the validity of its terms would be evaluated under California law. Dunnahoo thus argues that the damages provision is an unenforceable penalty under California law.

We need not determine the validity of the damages provision under California law because we do not agree with Dunnahoo's interpretation of the effect of a judgment pursuant to the stipulation of the parties. Instead, we follow the mandate of *United States v. Swift & Co.*, 286 U.S. 106, 115, 52 S.Ct. 460, 462, 76 L.Ed. 999 (1932), by "reject[ing] the argument . . . that a decree entered upon consent is to be treated as a contract and not as a judicial act." Relief from any provision of the original judgment thus must be considered under Rule 60 of the Federal Rules of Civil Procedure rather than under a contract law analysis.

Rule 60(b) provides that a court "may relieve a party or his legal representative from a final judgment, orders, or proceeding" under certain circumstances. Fed.R.Civ.P. 60(b). Sections (1)–(5) of the Rule set forth specific grounds which support relief from a final judgment, while 60(b)(6) allows such relief to be granted for "any other reasons justifying relief from the operation of the judgment." Fed.R.Civ.P. 60(b)(1)–(6). We agree with *Fleming v. Huebsch Laundry Corp.*, 159 F.2d 581, 585 (7th Cir. 1947), in that "[w]e think this provision covers all judgments, in-

cluding consent or default judgments, . . .” Dunnahoo’s situation does not bring him within the first five provisions, so the determination of whether we will grant relief from the final Judgment Pursuant to Stipulation, and in particular from its damages provision, must be analyzed under Rule 60(b)(6).

[2] Relief under Rule 60(b)(6) must be requested within a reasonable time, *Morse-Starrett Products Co. v. Steccone*, 205 F.2d 244, 249 (9th Cir. 1953), and is available only under extraordinary circumstances. This court has stated that, “In order to bring himself within the limited area of Rule 60(b)(6) a petitioner is required to establish the existence of extraordinary circumstances which prevented or rendered him unable to prosecute an appeal.” *Martella v. Marine Cooks & Stewards Union, Seafarers Int. Union*, 448 F.2d 729, 730 (9th Cir. 1971), *cert. denied*, 405 U.S. 974, 92 S.Ct. 1191, 31 L.Ed.2d 248 (1972). Dunnahoo has presented no reason for his failure to challenge the original judgment in the ordinary manner. He merely asserts for the first time that the damages provision is invalid under California law and therefore was erroneously included in the original judgment. We feel that “[n]either the circumstances of petitioner nor his excuse for not appealing is so extraordinary as to bring him within *Klapprott* [335 U.S. 601, 69 S.Ct. 384, 93 L.Ed. 266 (1949)] or Rule 60(b)(6).” *Ackermann v. United States*, 340 U.S. 193, 202, 71 S.Ct. 209, 213, 95 L.Ed. 207 (1950).

[3] In fact, Dunnahoo’s situation bears close resemblance to one previously before this court in *Morse-Starrett Products Co.*, 205 F.2d 244. In that case, the defendant was charged with violating both an original judgment which enjoined him from use of a particular trade name and a later contempt judgment. No appeal was taken from either judgment. The defendant then, in a third proceeding, moved for relief from the original judgment under Rule 60(b). The district court denied that motion and we affirmed, stating that,

The provisions of rule 60(b)(6) were not intended to benefit the unsuccessful litigant who long after the time during which an appeal from a final judgment could have been perfected first seeks to express his dissatisfaction. The procedure provided by rule 60(b) is not a substitute for an appeal.

Id. at 249.

Similarly, Dunnahoo cannot, six years after the entry of the final judgment, rely on Rule 60(b) in order to alter that judgment from which he was not constrained from taking an appeal.

This is especially true where, as in the case at bar, the petitioner is attempting to invoke relief under Rule 60(b)(6) with respect to an original judgment rendered by consent. It appears from the record that the liquidated damages provision of which Dunnahoo now complains was “intentionally and deliberately included in the order with the knowledge, con-

sent and approval of all the parties,” including Dunnahoo. *Hoffman v. Celebrezze*, 405 F.2d 833, 837 (8th Cir. 1969). If Dunnahoo feels that the district court erred in including that provision in the final judgment entered July 5, 1972,

the normal and appropriate method of attack is a timely appeal. Under the circumstances of this case, Rule 60(b) cannot properly be invoked for the purpose of extending the time for appeal which had already expired.

Id. at 837.

It is clear that Dunnahoo's failure to appeal the original judgment was not compelled by any extraordinary circumstances. Even if such circumstances did exist, Dunnahoo did not seek relief from the damages provision of the judgment until six years after it was entered. Such a delay does not meet the requirement of the rule that relief be sought within a reasonable time. Because "Rule 60(b) was not intended to provide relief for error on the part of the court or to afford a substitute for appeal," *Titile v. United States of America*, 263 F.2d 28, 31 (9th Cir.), *cert. denied*, 359 U.S. 989, 79 S.Ct. 1118, 3 L.Ed.2d 978 (1959), it is not an appropriate vehicle by which Dunnahoo may be relieved from the enforcement of any provisions of the original judgment. Thus the district court properly looked to the damages provision of the original judgment and awarded to the distributors \$40,000 as provided therein when determining the appropriate remedy for Dunnahoo's violations.

II. *Validity of Copyrights*

Dunnahoo's second argument involves a two-pronged attack on the effectiveness of the copyrights of the three films. He first makes a general procedural challenge to the effectiveness of the copyright protection by claiming that the works have entered the public domain because of the distributors' noncompliance with Copyright Office deposit requirements. He next attacks the validity of each of the copyright notices on a specific basis. The appropriate standard for our review of the district court's findings with respect to the effectiveness and validity of the copyrights is that discussed in *Farmhand, Inc. v. Lahman Mfg. Co., Inc.*, 568 F.2d 112 (8th Cir.), *cert. denied*, 436 U.S. 913, 98 S.Ct. 2254, 56 L.Ed.2d 414 (1978), a case similar to the one at bar in which the validity of a patent was being challenged on the ground of noncompliance with the conditions of patentability:

We are required to accept the factual findings of the district court unless clearly erroneous, Fed.R.Civ.P. 52(a), and if the district court applied correct standards of law to the acceptable facts of the case, its judgment must be affirmed.

Id. at 115.

Thus, if the district court correctly applied the law of copyright we will not reverse its conclusions concerning this aspect of the case unless they were based on clearly erroneous factual findings.

[4] Dunnahoo's general challenge asserting the lack of effective copyright protection for the three films rests on the contention that the distributors failed to comply with section 12 of the Copyright Act, 1909 Act, ch. 320, § 12, 35 Stat. 1078 (1909) (current version at 17 U.S.C. §§ 407, 411 (Supp. III 1979)), which requires that two copies of a work be "promptly deposited in the copyright office" after copyright has been secured by publication with notice of copyright. Because there was a lapse of time between the publication and the registration of each film in question, Dunnahoo argues that the works entered the public domain. Such works would not be subject to the terms of the original judgment. However, acceptance of Dunnahoo's argument would require ignoring controlling authority. The Supreme Court in *Washingtonian Publishing Co. v. Pearson*, 306 U.S. 30, 59 S.Ct. 397, 83 L.Ed. 470 (1939), held that deposit of a work fourteen months after the first publication, during which time the infringement occurred, fulfilled the deposit requirement of section 12 and was sufficient to maintain a suit to enjoin infringement and recover damages. It is necessary only that the works be deposited at any time prior to the initiation of the infringement suit. In fact, lapses of time of up to twenty-seven years between publication and deposit have been held to mean only that a suit cannot be maintained until the time of deposit. *Shapiro, Bernstein & Co. v. Jerry Vogel Music Co.*, 161 F.2d 406 (2d Cir. 1946), *cert. denied*, 331 U.S. 820, 67 S.Ct. 1310, 91 L.Ed. 1837 (1947).

United States v. Backer, 134 F.2d 533 (2d Cir. 1943), further discusses the relationship between copyright protection and the necessity of depositing promptly copyrighted works:

It is well settled that publication with notice is sufficient to copyright whatever may be copyrighted at all. The need for a valid registration of a claim to copyright arises only because under § 12 of the 1909 Act there can be no maintenance of an action or proceeding for infringement *until* the provisions of the Act 'with respect to the deposit of copies and registration of such work shall have been complied with.' (emphasis added).

Id. at 535.

This statement stresses that the deposit requirement is merely a limitation on the ability to bring an action for infringement at a particular time. It has no effect whatsoever on the validity or enforceability of a copyright.

[5] In the instant case, the three motion pictures had been deposited and registered with the Copyright Office prior to the time that the distributors

initiated the suit and also prior to the time Dunnahoo's infringement occurred. It is clear that in order to comply with the Supreme Court interpretation of the statutory deposit requirement it is necessary merely to deposit copies at any time prior to bringing an action to enjoin infringement. It is unimportant that the deposit did not occur immediately after publication; the deposit does not even have to have been prior to the acts of infringement. Dunnahoo's argument that the lapse of time between publication and registration acted to place the works in the public domain, and thus beyond the scope of the original judgment, has no basis in the statutory framework outlining the requirements for effective copyright protection and was properly rejected by the district court.

Dunnahoo's specific attacks on the validity of each of the copyrights have no greater merit than does his general attack. With respect to "Let That Be Your Last Battlefield", Dunnahoo argues that the notice is a tag notice which does not meet the Copyright Act requirement that notice be affixed to each copy, 1909 Act, ch. 320, § 9, 35 Stat. 1077 (1909) (current version at 17 U.S.C. § 401 (Supp. III 1979)). The definition of a defective tag notice appears in 37 C.F.R. § 202.2(b)(9) (1979): "A notice which is on a detachable tag and will eventually be detached and discarded when the work is put in use."

[6] As Dunnahoo acknowledges, the notice on "Battlefield" is on a continuous strip of celluloid at the end of the print. He argues, however, that the notice is defective as a tag because there is a blank portion of the continuous strip between the final credits and the notice. This contention does not have merit. Defective tags share the characteristics of being non-integral parts of a work that are not intended to remain with the work after it leaves the copyright proprietor's control. *See Gardenia Flowers, Inc. v. Joseph Markovits, Inc.*, 280 F.Supp. 776 (S.D.N.Y.1968), *Royalty Designs, Inc. v. Thrifticheck Service Corp.*, 204 F.Supp. 702 (S.D.N.Y.1962). The "Battlefield" notice does not fall within such a category because it is an integral part of the work on the same continuous strip of celluloid. The distributor placed the notice in a proper location and there is no indication that it was intended that the notice be removed from the rest of the strip at any time. Dunnahoo's interpretation of the ineffectiveness of the notice on "Battlefield" is erroneous; the district court correctly applied the law of copyright in reaching the conclusion that "Battlefield" is validly copyrighted.

[7] In connection with "The Producers", Dunnahoo argues that the work was not effectively copyrighted because the placement of the copyright notice did not fulfill the Copyright Office requirements. However, Dunnahoo concedes that the notice in "The Producers" was affixed to the film as part of the credits at the beginning of the work. Such a

position is clearly included in the Compendium of Copyright Office Practices as one of those that is proper for valid notices:

b. *Position*. . . .

2. Registration will be made if the notice appears either in the opening frames containing the title and credits or at the end of the film.

3. Registration will be refused if the notice appears only on one of the reels in the middle of the film.

Thus, the district court correctly concluded that "The Producers" is validly copyrighted.

[8] Finally, Dunnahoo's argument concerning the last film is that "The MGM Story" did not have copyright protection because his 16 millimeter print of "The MGM Story" did not have affixed a copyright notice. The issue with respect to this particular work is whether Dunnahoo's print was a publication authorized by MGM, because only authorized publications must carry a copyright notice in order to maintain copyright protection for the work. *Goldman-Morgen, Inc. v. Dan Brechner & Co., Inc.*, 411 F.Supp. 382 (S.D.N.Y.1976). Dunnahoo did not even attempt to make a showing in the district court that his print had been released with the authority of the copyright owner, MGM. He simply made the unsupported assertion that the 16 millimeter print in his possession which he obtained from a collector in Canada was an original release print. He admits that he did not check with the Copyright Office about the copyright status of "The MGM Story", or with MGM to discover whether it had ever authorized the distribution of the particular print in question even though he knew that MGM was a party to the original judgment. The distributor, on the other hand, did introduce into the record evidence showing that the print in question was not an authorized publication. A declaration of MGM's legal counsel asserted that MGM had neither made nor released a 16 millimeter print of the motion picture.

[9] The district court expressly found that "The MGM Story" was copyrighted and registered. The court implicitly found that the print in Dunnahoo's possession was not an authorized publication because Dunnahoo was found to have violated the judgment with respect to "The MGM Story", thus indicating that copyright protection for the work was not lost by the release of an authorized print without notice. This finding of the district court cannot be reversed unless it is clearly erroneous. There is no evidence presented in the record that Dunnahoo's print is an authorized publication, while there is a statement that MGM never made or released a 16 millimeter print. We uphold the district court's decision because it was not clearly erroneous.

III. *Defense to Damages Award*

Dunnahoo contends that even if the original judgment is to be enforced in whole and the works in question were validly copyrighted, the damages

provision of the judgment cannot be enforced in this instance. He asserts that paragraph thirteen of the original judgment, which states in relevant part that,

[t]he foregoing damages shall not be recovered . . . with respect to a violation or breach . . . involving a motion picture . . . where an official publication of the United States Copyright Office specifically indicates that a valid and effective copyright does not exist in favor of any of the plaintiffs . . . ,

provides him with a defense which would prohibit enforcement of the judgment with respect to the three films involved in this appeal.

To find that Dunnahoo's actions in connection with the films bring him within the defense would require an expansive reading of the provision. Dunnahoo never requested information directly from the Copyright Office regarding the validity of the copyrights and never found any publication that stated specifically that the copyrights for any of the three movies in question were invalid. Instead, he contends that he is entitled to rely on general statements concerning procedure in Copyright Office Circulars and on the lack of records of copyright registration in selected catalogues in order to conclude that copyrights for the three films in question were ineffective. His conclusions of invalidity are based solely on Copyright Office Circular 1, which states in a note that after a work is published with the prescribed notice, two copies "shall be promptly deposited, accompanied by a claim of copyright and the registration fee." From this language concerning prompt deposit Dunnahoo concluded that a copyright notice would be ineffective unless the work were deposited and registered near to the time of publication. Therefore, even though the three films were in fact deposited and registered at the time Dunnahoo obtained his prints, he did not find records of the registrations because he searched only certain catalogues selected on the basis of his interpretation of the requirements for effective copyright protection. Because his limited search revealed no registration, Dunnahoo felt that the three films were not validly copyrighted and thus were not subject to the terms of the original judgment.

[10] A problem arises with Dunnahoo's method of search because his conclusion that a copyrighted work must be promptly deposited and registered with the Copyright Office in order for the copyright to be valid is erroneous. In fact, proper notice affixed to a work guarantees protection. *United States v. Backer*, 134 F.2d 533, 535 (2d Cir. 1943). The only effect of the deposit requirement is to delay suits for infringement *until* the work is registered. *Washingtonian Publishing Co. v. Pearson*, 306 U.S. 30, 59 S.Ct. 397, 83 L.Ed. 470 (1939).

[11] Dunnahoo thus relied on a mistaken interpretation of copyright law that was drawn from general statements in publications rather than from official statements specifically addressing the validity of the copyrights in

question. We find that an erroneous legal inference drawn from general circulars does not suffice to invoke the defense of paragraph thirteen of the original judgment. Therefore, Dunnahoo's reliance on Copyright Office publications does not in this instance protect him from enforcement of the damages provision of the judgment.

CONCLUSION

For the reasons stated above, we find: first, that Dunnahoo cannot obtain relief from enforcement of the damages provision of the original judgment entered July 5, 1972, under Rule 60(b)(6) of the Federal Rules of Civil Procedure; second, that the three films in question are validly copyrighted and are thus subject to the terms of the original judgment; and third, that Dunnahoo's reliance on Copyright Office publications was not sufficient to invoke the defense of paragraph thirteen of the judgment which prohibits the award of damages under certain circumstances.

The district court's order adjudging Dunnahoo in contempt of court and enforcing the Judgment Pursuant to Stipulation, entered July 5, 1972, is **AFFIRMED**.

TWENTIETH CENTURY MUSIC CORP., House of Weiss Music Co., Lewis Music Publishing Co., Inc., Chess Music, Inc., Milene Music, Inc., Chappell & Co., Inc., and Pic Corp., Plaintiffs-Appellees, v. Curtis **FRITH** and Carlton Lee Davis, Defendants-Appellants

STONEBRIDGE MUSIC and Blue Moon Music, Plaintiffs-Appellees, v. Curtis **FRITH** and Carlton Lee Davis, Defendants-Appellants

DOUBLE R MUSIC CORPORATION, Chappell & Company, Inc., Milene Music, Inc., and MCA, Inc., Plaintiffs-Appellees, v. Curtis **FRITH** and Carlton Lee Davis, Defendants-Appellants

Nos. 80-7653, 80-7654 and 80-7655
Summary Calendar

(United States Court of Appeals, Fifth Circuit, Unit B—May 14, 1981)

645 F.2d 6

Appeal was taken from judgment entered by United States District Court for the District of Georgia, J. Robert Elliott, J., denying motion for jury trial in copyright infringement ac-

tion and awarding attorney fees. The Court of Appeal held that: (1) defendants were not entitled to jury trial, and (2) it was not abuse of discretion to award copyright holder \$2,100 for attorney fees incurred in the action, which was disposed of in one hearing.

Affirmed.

1. Federal Civil Procedure

Defendants were not entitled to jury trial in copyright infringement action in which only statutory minimum damages and injunctive relief were sought. 17 U.S.C.A. § 504(c); U.S.C.A.Const. Amend. 7.

2. Copyrights and Intellectual Property

It was not abuse of discretion to award copyright holder \$2,100 for attorney fees incurred in infringement action which was disposed of in one hearing. 17 U.S.C.A. § 504(c).

Elkins & Flourny, James A. Elkins, Jr., Columbus, Ga., for defendants-appellants.

Smith, Cohen, Ringel, Kohler & Martin, I. T. Cohen, Atlanta, Ga., for plaintiffs-appellees.

Appeals from the United States District Court for the Middle District of Georgia.

Before HILL, FAY and ANDERSON, Circuit Judges.

PER CURIAM. Appellants seek reversal of the District Court's order denying their motion for a jury trial on appellees' copyright infringement action seeking only the statutory minimum damages under 17 U.S.C. § 101(b)(1909); 17 U.S.C. § 504(c)(1976) and injunctive relief. Appellants also seek reversal of the District Court's award of \$2,100.00 in attorney's fees as excessive. We affirm.

I.

In total the three actions, consolidated by agreement of the parties, alleged thirteen copyright infringements of appellees' musical compositions by public performance for profit at the Juwan Knight Club, Columbus, Georgia in 1977 and 1978. The appellants are the owner and manager of the Club at which these musical compositions were performed as part of the entertainment regularly provided. Some of the musical compositions which are the subject of this action were performed by a live orchestra, others by recordings played on a jukebox. Patrons of the Club were required to pay an admission charge for entrance to the Club and for the entertainment provided.

Appellants demanded trial by jury. Appellees moved to strike the jury demands and simultaneously filed stipulations waiving any claim for damages above the statutory minimum and for injunctive relief. The District Court granted appellees' motion, and found that their copyrights had been infringed. The Court issued a permanent injunction against further infringement, awarded the minimum statutory damages of \$250 for

each infringement and attorneys' fees totaling \$2,100.00, noting that only one hearing had been required to dispose of the cases. It is not suggested that the Court lacked adequate evidential support for its determination. The only question raised is the propriety of the Court's order.

II.

[1] This appeal seems to present very simple questions. Appellant argues that this appeal is governed by the principles of *Beacon Theatres, Inc. v. Westover*, 359 U.S. 500, 79 S.Ct. 948, 3 L.Ed.2d 988 (1959) and *Dairy Queen, Inc. v. Wood*, 369 U.S. 469, 82 S.Ct. 894, 8 L.Ed.2d 44 (1962). We find their arguments unpersuasive in light of *Ross v. Bernhard*, 396 U.S. 531, 90 S.Ct. 733, 24 L.Ed.2d 729 (1970). See *BMI v. Papa John's Inc.*, 201 U.S.P.Q. 302 (N.D.Ind.1979); *Cayman Music Ltd. v. Reichenberger*, 403 F.Supp. 794 (W.D.Wis.1975). This whole case before the Court was equitable in nature as to which the appellant had no constitutional or statutory right to a jury trial. See *Chappell & Co. v. Palermo Cafe Co.*, 249 F.2d 77, 78 (1st Cir. 1957); *BMI v. Dici Naz Velleggia*, 490 F.Supp. 1342 (D.Md.1980).

[2] Appellant's contention that the award of attorney's fees was excessive appears frivolous. The Court, in its order, clearly indicated a consideration of the circumstances had been made and its award of \$2,100.00 does not constitute an abuse of discretion.

The judgment of the District Court is AFFIRMED.

**UNITED STATES of America v. Howard L. CRIDEN, Harry P. Jannotti,
Louis C. Johanson, and George X. Schwartz**

Howard L. Criden, Harry P. Jannotti and George X. Schwartz, Appellees

In re Application of **NATIONAL BROADCASTING COMPANY, INC.,
American Broadcasting Companies, Inc., CBS Inc., and Westinghouse
Broadcasting Company, Inc., Appellants**

No. 80-2622

*(United States Court of Appeals, Third Circuit—Argued January 15,
1981—Decided April 20, 1981)*

648 F.2d 814

[See also *United States v. Myers*, 635 F.2d 942, 44 C.O.Bull. 1122 (2d Cir. — *Stay granted pending disposition of appeal*, Aug. 22, 1980); *In re National Broadcasting Co.*, 635 F.2d 945, 44 C.O.Bull. 732 (2d Cir. — *Affirmed*, Oct. 1, 1980); *United States v. Criden*, 501 F.Supp. 854, 44 C.O.Bull. 1102 (E.D. Pa., Oct. 22, 1980); *United States v. Jannotti*, 673 F.2d 578 (3d Cir., Feb. 11, 1982), *reversing* 501 F.Supp. 1182 (E.D. Pa., Nov. 26, 1980); *United States v. Criden*, 675 F.2d 550 (3d Cir. — *Orders vacated*, Mar. 26, 1982); *Jannotti v. United States*, 457 U.S. 1106, 102 S.Ct. 2906, 73 L.Ed.2d 1315 (U.S. Sup. Ct. — *Certiorari denied*, June 7, 1982); *United States v. Criden*, 681 F.2d 919, 46 C.O. Bull. 1266 (3d Cir., June 30, 1982)]

Television networks appealed from an order of the United States District Court for the Eastern District of Pennsylvania, 501 F.Supp. 854, John P. Fullam, Jr., which denied networks' application for permission to copy, for the purpose of broadcasting to the public, video and audio tapes admitted into evidence and played to the jury during the criminal trial of two members of a city counsel. The Court of Appeals, Sloviter, Circuit Judge, held that networks were entitled to copy the video and audio tapes, except for any material which District Court explicitly determined to be impermissibly injurious to third parties, on basis of the strong common-law presumption of access and the educational and informational benefit which the public would derive from broadcast of evidence introduced at a trial which raised significant issues of public interest.

Reversed and remanded.

Weis, Circuit Judge, concurred in part, dissented in part, and filed opinion.

1. Criminal Law

There is a strong presumption that material introduced into evidence at trial should be made reasonably accessible to the public in a manner suitable for copying and broader dissemination.

2. Criminal Law

Rebroadcast by television networks of video tapes of defendants' activities which were admitted into evidence and played to the jury during defendants' criminal trial could not appropriately be considered to be enhanced punishment of defendants.

3. Criminal Law

Television networks were entitled to copy, for the purpose of broadcasting to the public, video and audio tapes admitted into evidence and played to the jury during criminal trial of two members of a city council, except for any material which district court explicitly determined to be impermissibly injurious to third parties, on basis of the strong common-law presumption of access and the educational and informational benefit which public would derive from broadcast of evidence introduced at a trial which raised significant issues of public interest.

J. Marshall Wellborn, Ralph E. Goldberg, Allen Shaklan, Samuel Antar, Harlan Rosenzweig, Floyd Abrams (argued), Robert C. Meade, Devereux Chatillon, Melanie Lawson, Cahill Gordon & Reindel, New York City, Gregory Harvey, Morgan, Lewis & Bockius, Philadelphia, Pa., for appellants.

Richard Ben-Veniste, Washington, D.C., for appellee, Howard L. Criden.

J. Clayton Undercofler, III, Dilworth, Paxson, Kalish & Levy, Edward H. Rubenstone (argued), Philadelphia, Pa., for appellee, Harry P. Jannotti.

Richard A. Sprague, Edward H. Rubenstone (argued), Sprague, Goldberg & Rubenstone, Philadelphia, Pa., for appellee, George X. Schwartz.

Before SEITZ, Chief Judge, and WEIS and SLOVITER, Circuit Judges.

OPINION OF THE COURT

SLOVITER, *Circuit Judge*.

I.

This is an appeal from the order of the district court denying the application of the television networks "for permission to copy, for the purpose of broadcasting to the public, those video and audio tapes admitted into evidence and played to the jury in open court" during the criminal trial of two members of the Philadelphia City Council arising out of what has become known as the Abscam prosecutions. For the reasons set forth hereafter, we reverse the order of the district court.

II.

Following a series of indictments returned by grand juries sitting in various districts of the country, a number of local, state and federal public officials were tried on charges of bribery and related offenses allegedly committed during the course of an FBI "sting" operation.¹ The trial of de-

¹Many of the details of this operation can be found in the opinion of the Second Circuit in a similar appeal, see *In re Application of National Broadcasting Co.* (Myers), 635 F.2d 945, 947 (2d Cir. 1980), and in the opinion of the district court overturning the convictions of defendants Schwartz and Jannotti, *United States v. Jannotti*, 501 F.Supp. 1182 (E.D.Pa.1980).

defendants, George X. Schwartz, then President of Philadelphia City Council, and Harry P. Jannotti, then a member of the Council, began September 15, 1980 in the Eastern District of Pennsylvania. The court had severed the trials of two co-defendants, Louis C. Johanson, another member of Philadelphia City Council, and Howard L. Criden, a Philadelphia attorney. Both Johanson and Criden had been convicted on similar charges in the United States District Court for the Eastern District of New York.

Prior to commencement of the trial, representatives of the three major television networks, NBC, ABC and CBS, and Westinghouse Broadcasting, Inc., which owns and operates a Philadelphia television and radio station, (hereafter jointly referred to as "broadcasters") requested permission to copy the audio and videotapes introduced into evidence for broadcasting to the public. The court released transcripts of the tapes to the press and public, but denied the broadcasters' request to copy the tapes themselves on September 8, 1980. Among the reasons given for the denial were the pendency of a similar appeal before the Second Circuit in an Abscam case where the district court had ordered that the tapes be released to the press, the pendency of the Schwartz-Jannotti trial, the outstanding indictments of defendants Johanson and Criden, and the existence of substantial due process challenges to the indictments.

The broadcasters renewed their application for the tapes on October 16, 1980, citing several changes in circumstances. First, a unanimous panel of the Second Circuit had affirmed the district court's release of the tapes in the New York Abscam trial, *In re Application of National Broadcasting Co.* (Myers), 635 F.2d 945 (2d Cir. 1980), and the Supreme Court refused to stay that order, ____ U.S. ____, 101 S.Ct. 261, 66 L.Ed.2d 125 (1980). Consequently, the tapes introduced at that trial were in fact broadcast to the public. In addition, the Schwartz-Jannotti trial had concluded with guilty verdicts against both defendants although the indictments of Criden and Johanson were still outstanding in this district. After reconsideration of its decision in light of these intervening developments, the district court again denied the broadcasters' application. *United States v. Criden*, 501 F.Supp. 854 (E.D.Pa.1980). This expedited appeal followed.

The district court, stating that the only issues implicated were those relating to the common law right of access to judicial records, stressed that "the decision as to access to trial evidence is committed to the discretion of the trial court." *Id.* at 857, citing *Nixon v. Warner Communications, Inc.*, 435 U.S. 589, 98 S.Ct. 1306, 55 L.Ed.2d 570 (1978). The court found itself in "total disagreement" with the decisions of the courts of appeals for the District of Columbia and Second Circuit which espoused an "expansive view of the common law right of access." 501 F.Supp. at 857, 859. Compare *In re Application of National Broadcasting Co. (Myers)*, *supra*; *United States v. Mitchell*, 551 F.2d 1252, 1258 (D.C.Cir.1976), *rev'd on*

other grounds sub nom. Nixon v. Warner Communications, 435 U.S. 589, 98 S.Ct. 1306, 55 L.Ed.2d 570 (1978). The district court found no support for that view in the Supreme Court's decision in *Warner Communications*. The district court concluded, however, that "whatever the force of the presumption [in favor of disclosure], I am . . . convinced that the circumstances of the present case are indeed sufficiently extraordinary to require denial of the broadcasters' application." 501 F.Supp. at 859.

The factors referred to by the court in support of denial of the application were "the very great difference between video-tape evidence and other forms of evidence," *id.*; the "penalties not prescribed by the law [which] will be visited upon the accused and, more importantly, upon innocent relatives and friends" by more widespread publicity, *id.* at 860; and the difficulty which the broadcasting would create in selecting a jury for the then still pending trial of Criden and Johanson and in the event of a retrial of Schwartz and Jannotti. *Id.* at 861. The court referred to several additional reasons, which were the possibility that its ruling admitting the tapes into evidence was incorrect, the showing in the Schwartz-Jannotti trial of videotapes which would be prejudicial and inadmissible as to Criden, the inclusion of "scurrilous and libelous statements about third parties," and the prohibition imposed on televising courtroom proceedings by resolution of the Judicial Conference of the United States, which the district court analogized to release of video-tapes. *Id.* at 862-64.

On appeal the broadcasters contend that the district court failed to accord proper weight to the presumption of access and that it relied on improper factors in assessing the weight of the defendants' interests against release. Essentially the broadcasters would have us adopt the standard articulated in *In re Application of National Broadcasting Co.* (Myers), 635 F.2d at 952, that only the "most extraordinary circumstances" could overcome the presumption in favor of release, or, as phrased in *United States v. Mitchell*, 551 F.2d at 1261, that the party opposing exercise of the common law right of access would have the burden of showing "that justice required denying access to the court records." Additionally, the broadcasters contend that the district court's characterization of publicity as punishment is clearly wrong and that its concerns about the availability of an unbiased jury in the event of a retrial were unwarranted based on the experiences of other courts in securing acceptable juries in highly publicized cases and the effectiveness of voir dire as a means of identifying and excluding unacceptable jurors. With regard to the disputed admissibility of the tapes, the broadcasters contend that the district court was correct in its initial ruling and, alternatively, that defendants' objections to the tapes were essentially premised on privacy interests which have already been decided adversely to them by virtue of the tapes having been publicly shown in court. Release of the audio and videotapes is opposed by

Schwartz and Jannotti whose argument tracks the reasoning of Judge Fullam in denying the broadcasters' application.²

III.

A.

Review of Discretion

The broadcasters concede that there is no constitutional right to copy the tapes and that even under the common law right on which they rely, there is no absolute right to release of the tapes. Since all parties agree that release of the tapes is a matter committed to the discretion of the trial court, we must first consider our scope of review.

The mere statement that a decision lies within the discretion of the trial court does little to shed light on its reviewability. It means merely that the decision is uncontrolled by fixed principles or rules of law. See Rosenberg, *Judicial Discretion of the Trial Court, Viewed from Above*, 22 Syracuse L.Rev. 635, 636-43 (1971). See also material compiled in R. Aldisert, *The Judicial Process* 742-76 (1976). In our judicial system, a wide variety of decisions covering a broad range of subject matters, both procedural and substantive, is left to the discretion of the trial court. The justifications for committing decisions to the discretion of the court are not uniform, and may vary with the specific type of decisions.³ Although the standard of review in such instances is generally framed as "abuse of discretion," in fact the scope of review will be directly related to the reason why that category or type of decision is committed to the trial court's discretion in the first instance.

Perhaps the most common category of decisions committed to the discretion of the trial court encompasses those situations where the decision depends on first-hand observation or direct contact with the litigation. Only the trial judge has seen the witness or observed the jury's reaction to evidence. Only the trial judge has supervised the course of litigation through discovery and pretrial, and can evaluate the diligence or procrastination of the attorneys. In those circumstances the trial court has a

²Counsel for Criden joined in the Schwartz-Jannotti brief by letter to the court.

³Professor Maurice Rosenberg, in analyzing the forms of discretion and their underlying rationale, categorizes the meanings and uses of judicial discretion into two groups, primary and secondary types of discretion. Rosenberg, *Judicial Discretion of the Trial Court, Viewed from Above*, 22 Syracuse L.Rev. 635, 636-43 (1971). He defines primary type discretion as "decision-making discretion" to signify that the adjudicator is "free from the constraints which characteristically attach whenever legal rules enter the decision process." *Id.* at 637. The secondary type discretion is a "review-restraining concept," *id.*, which is established when the appellate courts, through self-limitation, give the trial court's determination "a status or authority that makes it either unchallengeable, or challengeable to only a restricted degree." *Id.* at 641.

superior vantage point which an appellate court cannot replicate. The trial court's decision therefore merits a high degree of insulation from appellate revision. Rulings on evidentiary matters, discovery, and procedural issues fall in this category.

On the other hand, discretion is sometimes committed to the trial judge because of pragmatic considerations. When circumstances are either so variable or so new that it is not yet advisable to frame a binding rule of law, trial courts may be given discretion until the factors important to a decision and the weight to be accorded them emerge from the montage of fact patterns which arise. *See Rosenberg, supra*, at 662–63. Often, in time, the contours of a guiding rule or even principle may develop as the courts begin to identify the policies which should control. Thus, for example, although the selection of an appropriate remedy has been generally deemed to lie in the equitable discretion of the trial judge, after experience has accumulated the appellate courts may decide that a specific remedy should be awarded as a general rule. *See, e.g., Albemarle Paper Co. v. Moody*, 422 U.S. 405, 418–19, 95 S.Ct. 2362, 2372, 45 L.Ed.2d 280 (1975) (presumptive right to a backpay order as a remedy for unlawful discrimination). Similarly, award of attorney's fees is generally conceded to lie in the discretion of the trial court but such discretion has been restricted as the factors to be considered are identified and as guidelines are developed. *See, e.g., Lindy Bros. Builders, Inc. v. American Radiator & Standard Sanitary Corp.*, 487 F.2d 161 (3d Cir. 1973).

Commitment to discretion implicates conflicting policy considerations. On one hand, commitment to discretion vests the adjudicator with the flexibility necessary to fit the decision to the individualized circumstances. On the other hand, there are countervailing considerations that militate against an expansive delegation of discretion to the trial court. Among the more persuasive reasons for caution is the concern that commitment to discretion may be antithetical to consistency of treatment, a major ingredient of justice. *See K. Davis, Discretionary Justice: A Preliminary Inquiry* 107 (1969). Similarly, there is a disturbing lack of predictability about the results of discretionary decisions. *See id.* at 29–33. Additionally, “unreviewable discretion offends a deep sense of fitness in our view of the administration of justice.” *Rosenberg, supra*, at 641–42. There is a general feeling that the losing litigant should not be deprived of at least one opportunity for review of each significant ruling made by a single judge. *Id.* at 642. Thus, where the basis for commitment of a decision to a trial court's discretion is not dependent on its observation or familiarity with the course of the litigation, there are less compelling reasons for limited appellate review.⁴

⁴Not all matters committed to the trial court's discretion fall within the groupings discussed above. For example, sentencing decisions are left to the trial court's discretion with almost no substantive appellate review even though the decision is often made on the basis of

In the matter before us on this appeal, the decision whether to release the tapes was not dependent in the main on particular observations of the trial court. Therefore, the trial court's decision is not accorded the narrow review reserved for discretionary decisions based on first-hand observations, and we must consider both the relevance and weight of the factors considered. Our review is facilitated because Judge Fullam clearly and succinctly expressed the bases for his decision denying release.

We note that until or unless guiding rules have become fixed, it is important that the exercise of discretion be accompanied by the trial court's articulation of the factors considered and the weight accorded to them, as was done in this case. Superficially, it might appear that such an articulation would encourage appellate revision while an unarticulated decision might evade review. In fact, however, articulation of the reasons for the decision tends to provide a firm base for an appellate judgment that discretion was soundly exercised. It confines review of the exercise of discretion to its appropriate scope—*i.e.*, whether the relevant factors were considered and given appropriate weight—and discourages reversal on the ground that the appellate judges might have decided differently had they been the original decisionmakers. We turn then to consideration of the relevant factors.

B.

Factors Favoring Release

Chief among the factors favoring release is the common law right of the public to inspect and copy judicial records. The existence of such a right was recognized by the Supreme Court in *Warner Communications*, where the Court stated:

It is clear that the courts of this country recognize a general right to inspect and copy public records and documents, including judicial records and documents.

435 U.S. at 597, 98 S.Ct. at 1312.

The right to inspect and copy, sometimes termed the right to access, antedates the Constitution. *United States v. Mitchell*, 551 F.2d at 1260. It has been justified on the ground of the public's right to know, which encompasses public documents generally, and the public's right to open

factors other than the trial court's personal observation. See generally Korbakes, *Criminal Sentencing: Should the "Judge's Sound Discretion" be Explained?* 59 *Judicature* 185, 187 (1975) (noting that factors relied upon by sentencing judges include portions of the trial record and presentence report); Labbe, *Appellate Review of Sentences: Penology on the Judicial Doorstep*, 68 *J. Crim.L. & Criminology* 122, 132 (1977) (proponents of sentence review argue that many cases in which sentences are imposed are disposed of by guilty pleas and trial judge has "little or no opportunity for first hand observation of the defendant").

courts, which has particular applicability to judicial records. *Crystal Grower's Corp. v. Dobbins*, 616 F.2d 458, 461 (10th Cir. 1980); *Cohen v. Everett City Council*, 85 Wash.2d 385, 535 P.2d 801 (1975); *United States v. Burka*, 289 A.2d 376, 379-80 (D.C.App.1972).⁵ See Comment, *All Courts Shall Be Open: The Public's Right to View Judicial Proceedings and Records*, 52 Temp L.Q. 311, 337-40 (1979).

The Second Circuit, in discussing the nature of the interest which favored disclosure of the Abscam videotapes, stated:

Though the transcripts of the videotapes have already provided the public with an opportunity to know what words were spoken, there remains a legitimate and important interest in affording members of the public their own opportunity to see and hear evidence that records the activities of a Member of Congress and local elected officials, as well as agents of the Federal Bureau of Investigation. And there is a significant public interest in affording that opportunity contemporaneously with the introduction of the tapes into evidence in the courtroom, when public attention is alerted to the ongoing trial. *Cf. Richmond Newspapers, Inc. v. Virginia*, *supra* closed courtroom not justified despite prompt release of "tapes" of the trial after its conclusion, ____ U.S. ____ at ____ n.3, 100 S.Ct. 2814, at 2820 n.3, 65 L.Ed.2d 973; *Nebraska Press Assn. v. Stuart*, *supra*, 427 U.S. [539] at 560-61, [96 S.Ct. 2791 at 2803-04, 49 L.Ed.2d. 683].

In Re Application of National Broadcasting Co. (Myers), 635 F.2d at 952.

In *Warner Communications*, the Supreme Court considered an appeal from the decision of the Court of Appeals for the District of Columbia ordering the release to the media of audiotapes of conversations of President Nixon which had been subpoenaed in connection with the Watergate proceedings. In reaffirming the existence of the right to inspect and copy judicial records, the Court did not attempt to rationalize its underlying basis. However, in contrasting the English decisions which require showing of a particular interest with the American decisions which "generally do not condition enforcement of this right on a proprietary interest in the document or upon a need for it as evidence in a lawsuit," the Court stated:

The interest necessary to support the issuance of a writ compelling access has been found, for example, in the citizen's desire to keep a watchful eye on the workings of public agencies, see., e.g., *State ex rel. Colscott v. King*, 154 Ind. 621, 621-627, 57

⁵In *United States v. Cianfrani*, 573 F.2d 835 (3d Cir. 1978), we held that it was unconstitutional to exclude the public from pretrial suppression hearings. The majority opinion, authored by Chief Judge Seitz, relied on the Sixth Amendment. Judge Gibbons concurred, relying instead on "the federal common law implied from the first amendment." *Id.* at 862. Shortly thereafter the Supreme Court decided in *Gannett Co. v. DePasquale*, 443 U.S. 368, 99 S.Ct. 2898, 61 L.Ed.2d 608 (1979), that the Sixth Amendment which guarantees the accused the right to a public trial does not confer upon representatives of the press or members of the general public any right of access to pretrial suppression hearings. The Court left open the question whether the First and Fourteenth Amendments afford such a right. *Id.* at 391-93, 99 S.Ct. at 2911-12.

N.E. 535, 536-538 (1900); *State ex rel. Ferry v. Williams*, 41 N.J.L. 332, 336-339 (1879), and in a newspaper publisher's intention to publish information concerning the operation of government, see, e.g., *State ex rel. Youmans v. Owens*, 28 Wis.2d 672, 677, 137 N.W.2d 470, 472 (1965), modified on other grounds, 28 Wis.2d 685a, 139 N.W.2d 241 (1966). But see *Burton v. Reynolds*, 110 Mich. 354, 68 N.W. 217 (1896).

435 U.S. at 597-98, 98 S.Ct. at 1311-12.

Because Congress had enacted a statute governing the procedure for release and access of the Nixon papers, including the tapes in question, the Court in *Warner Communications* did not undertake to balance the strength of the common law right to view judicial records against the interests pressed by defendants, which it viewed as the procedure to be followed in ruling on a request for access. The Court also rejected the broadcasters' claim that release of the Watergate tapes was required by either the First Amendment guarantee of freedom of the press or the Sixth Amendment guarantee of a public trial, *id.* at 608-10, 98 S.Ct. at 1317-18, an issue the broadcasters do not raise here. Nonetheless, the interests identified by the Court in *Warner Communications* as supporting the right to access, "the citizen's desire to keep a watchful eye on the workings of public agencies" and publication of "information concerning the operations of government," are identical to the interests identified in the subsequent decision in *Richmond Newspapers, Inc. v. Virginia* ____ U.S. ____, 100 S.Ct. 2814, 65 L.Ed.2d 973 (1980), where the Court held for the first time that the public's access to criminal trials is guaranteed by First Amendment. Although we do not consider the applicability of the First Amendment here, we believe that some of the same policy considerations identified as supporting open trials may be considered when the issue involves the common law right of access to trial materials.

In *Richmond Newspapers*, the plurality opinion written by Chief Justice Burger for three members of the Court traced the criminal trial from the days before the Norman Conquest, when attendance at trials was compulsory for freemen who were required to render judgment, through its evolution in England and the American colonies to contemporary times. The characteristic which remained constant in this development was the openness at the proceedings to those who wished to attend a criminal trial. *Id.* at 2821-23.

Chief Justice Burger found that the importance of openness lay not only in the interests of the defendant but also in the interests of the public. He stated that "[t]he early history of open trials in part reflects the widespread acknowledgment, long before there were behavioral scientists, that public trials *had significant community therapeutic value*" (emphasis added) and that "especially in the administration of justice, the means used to achieve justice must have the support derived from public acceptance of both the process and its results." *Id.* at 2824. In stressing the "important prophylac-

tic purpose” served by the “open processes of justice” in “providing an outlet for community concern, hostility, and emotion,” the Chief Justice continued:

Civilized societies withdraw both from the victim and the vigilante the enforcement of criminal laws, but they cannot erase from people’s consciousness the fundamental, natural yearning to see justice done—or even the urge for retribution. The crucial prophylactic aspects of the administration of justice cannot function in the dark; no community catharsis can occur if justice is “done in a corner [or] in any covert manner.” . . . It is not enough to say that results alone will satiate the natural community desire for “satisfaction.” A result considered untoward may undermine public confidence, and where the trial has been concealed from public view an unexpected outcome can cause a reaction that the system at best has failed and at worst has been corrupted. To work effectively, it is important that society’s criminal process “satisfy the appearance of justice,” *Offutt v. United States*, 348 U.S. 11, 14, 75 S.Ct. 11, 13, 99 L.Ed. 11 (1954), and the appearance of justice can best be provided by allowing people to observe it.

Id. 100 S.Ct. at 2824–25.

Justice Brennan, joined by Justice Marshall, wrote separately, stressing the “*structural role*” played by the First Amendment “in securing and fostering our republican system of self-government” He explained that:

Implicit in this structural role is not only “the principle that debate on public issues should be uninhibited, robust, and wide-open,” *New York Times Co. v. Sullivan*, 376 U.S. 254, 270, 84 S.Ct. 710, 721, 11 L.Ed.2d 686 (1964), but the antecedent assumption that valuable public debate—as well as other civic behavior—must be informed. The structural model links the First Amendment to that process of communication necessary for a democracy to survive, and thus entails solicitude not only for communication itself, but for the indispensable conditions of meaningful communication.

Id. 100 S.Ct. at 2833 (footnotes omitted).

Turning next to the importance of public access to the trial process itself, Justice Brennan, like Chief Justice Burger, found that open trials play a fundamental role beyond that of assuring the criminal defendant a fair and accurate adjudication of guilt or innocence. Among “other, broadly political, interests” advanced by the trial process is the need to demonstrate to the citizenry the fairness of the law. *Id.* at 2837. “Open trials assure the public that procedural rights are respected, and that justice is afforded equally. . . . Public access is essential, therefore, if trial adjudication is to achieve the objection of maintaining public confidence in the administration of justice.” *Id.* Furthermore, for Justice Brennan, a trial implicates one of the branches of government, and therefore the conduct of the trial “is preeminently a matter of public interest” because the knowledge that it “is subject to contemporaneous review in the forum of public opinion is an effective restraint on possible abuse of judicial power,” *id.* at 2838, quoting *In re Oliver*, 333 U.S. 257, 270, 68 S.Ct. 499,

506, 92 L.Ed. 682 (1948). See generally *The Supreme Court, 1979 Term*, 94 Harv.L.Rev. 149-59 (1980).

The factors emphasized by both opinions, which jointly commanded a majority of the votes of the Court, are equally significant to the issue before us. We need not speculate on whether the *Richmond Newspapers* case betokens a more expansive view of the First Amendment's application to the right to copy evidence introduced at trial than was followed by the Court in *Warner Communications* two years before,⁶ but we believe the analyses in *Richmond Newspapers* of the public's right to an open trial provide strong support for reliance on the common law right of access to trial materials in this case.

We recognize that an application to copy evidence for the purpose of dissemination, such as that made by the broadcasters here, does not present the precise issue raised in cases where the issue was the public's right to attend open trials or to inspect judicial records. In the proceedings below, the trial was open, the audio and videotapes were publicly played, and the broadcasters as well as other representatives of the news media were provided with a transcript which they were free to disseminate without limitation. The issue before us focuses instead on the right to rebroadcast evidence already publicly available in the same form as that viewed by those present at the trial. Nonetheless, broader dissemination would serve the same values of "community catharsis," observation of the criminal trial process, and public awareness served by the open trial guarantee.

In exploring the news media's fair report privilege in an action for libel, we recently commented on the value of public supervision and inspection of courtroom proceedings, and the public's interest in learning of important matters. See *Medico v. Time, Inc.*, No. 79-00597, 643 F.2d 134 at 140-142 (3d Cir. 1981). These same interests favor broad dissemination of the actual evidence introduced in judicial proceedings.

Finally, we note that the criminal trial at which the tapes were played was not an ordinary criminal trial. The two defendants tried were elected public officials accused of receiving money for acts to be performed by them because of their official positions. The Abscam indictments have provoked public concern and comment about the morality of public officers. The government's involvement in the conduct for which defendants

⁶Arguably, the *Richmond Newspapers* case could be viewed as supporting a right of the public to access to the tapes through the medium of the broadcasters. The only First Amendment right rejected in *Warner Communications* was that possessed by the press. The Court stated that "[t]he First Amendment generally grants the press no right to information about a trial superior to that of the general public," 435 U.S. at 609, S.Ct. at 1318, but did not discuss the nature of the right, if any, of the general public under the First Amendment. In view of our disposition of this case on nonconstitutional grounds, we need not decide whether there remains any room for a constitutional right based on the First Amendment as construed in *Richmond Newspapers*.

were prosecuted has raised sensitive issues of public policy, since the integrity of the methods used in federal law enforcement has been called into question. Subsequent to the trial and the ruling on the tapes, Judge Fullam held that the conduct of the undercover agents established entrapment which entitled defendants to judgments of acquittal. *United States v. Jan-notti*, 501 F.Supp. 1182, 1200 (E.D.Pa.1980). The actions of the indicted elected officials, the conduct of the law enforcement agencies, and the court's decision to set aside the convictions combine to create legitimate public interest in the proceedings far beyond the usual criminal case.

The public's opportunity to observe the trial proceeding, secured by *Richmond Newspapers*, is subject to certain practical limitations, and can be taken advantage of only by those persons who have the available time and means to be present. Thus, the public forum values emphasized in that case can be fully vindicated only if the opportunity for personal observation is extended to persons other than those few who can manage to attend the trial in person. All of the foregoing factors favor permitting rebroadcast of the evidence produced at the trial for wider dissemination.

[1] The district court indicated a great reluctance to find a presumption that evidence produced at trial should be made available to the broadcasters in a form that will permit its observation by the public at large. The court saw no justification for a very strong presumption in favor of permitting copying and re-dissemination by the broadcasters,⁷ stating it was "quite impossible to derive from the Supreme Court's [*Warner Communications*] decision any support for the expansive view of the common law right of access espoused by the Second Circuit and the D.C. Circuit Court of Appeals. . . ." 501 F.Supp. at 859. The district court believed that existence of a presumption was refuted by references in *Warner Communications* to "the crucial fact that [the broadcasters] require a court's cooperation in furthering their commercial plans" and the need for "a sensitive appreciation of the circumstances that led to [the] production" of the tapes. 435 U.S. at 602-03, 98 S.Ct. at 1314-15. We view this language in *Warner Communications* as addressed to the circumstances that led to the production of the Watergate tapes in court, a third party subpoena vigorously contested by the President of the United States. Unlike the district court, we read the *Warner Communications* decision as supportive

⁷The broadcasters argue that the district court erroneously refused to follow "controlling court of appeals decisions." In a recent decision, we commented on the precedential force of decisions of other circuits. In *Heverly v. C.I.R.*, 621 F.2d 1227, 1236 (3d Cir. 1980), Judge Aldisert, speaking for the court, stated, "other decisions relevant to this issue are not controlling precedents in this circuit, but are influential to the extent that their reasoning is persuasive." We believe the district court articulated the proper standard when it stated, "[t]he decision of a circuit court of appeals which is squarely apposite is entitled to the utmost respect, notwithstanding the fact that it emanates from another circuit and is therefore not totally binding upon this Court." 501 F.Supp. at 856.

of a presumption of release of the tapes, because the only circumstances referred to there which would militate against production were use of subpoenaed material as "a vehicle for improper purposes." 435 U.S. at 598, 98 S.Ct. at 1312. In any event, when the common law right of access is buttressed by the significant interest of the public in observation, participation, and comment on the trial events, we believe that the existence of a presumption of release is undeniable. Obviously, the strength of the presumption can be effectively considered only in relationship to the factors which would justify denial of the application. However, in order to avoid ambiguity, we hold that there is a strong presumption that material introduced into evidence at trial should be made reasonably accessible in a manner suitable for copying and broader dissemination.

C.

Factors Relied On By The District Court

1. The Nature of Videotape Evidence

The district court stated that "whatever the force of the presumption, I am also convinced that the circumstances of the present case are indeed sufficiently extraordinary to require denial of the broadcasters' application." 501 F.Supp. at 859. The district court emphasized as its first point "the very great difference between videotape evidence and other forms of evidence." *Id.* The court explained that "[t]he viewer of videotape becomes virtually a participant in the events portrayed." *Id.* at 860.

In considering whether the nature of the videotape evidence is a factor that might reasonably be relied on to justify denial of an application to copy evidence, it is necessary to bear in mind that generally the right to copy has been considered to be correlative to the right to inspect. As copying techniques grew more sophisticated, the courts adjusted the common law right to include the right to copy public records by mechanical means. In *Moore v. Board of Freeholders of Mercer County*, 76 N.J.Super. 396, 408, 184 A.2d 748, 754 (Super.Ct.App.Div.1962), the court stated:

We come, then, to the core question of whether the common law right which persons like plaintiffs have, to inspect and copy public records, is limited to hand-copying. Plaintiffs seek to photocopy by the use of modern tested equipment, portable and compact, and well known in the public market. To ignore the efficacy and practical worth of such equipment, and to compel plaintiffs to resort to laborious and time-consuming hand-copying, would substantially impair their right to inspect and copy.

To prohibit photocopying with proper equipment is to ignore the significant progress which our generation has witnessed. Photocopying is an everyday procedure in business and professional offices, large and small. Plaintiffs cannot be restricted to the use of pen, pencil and pad. Were we to accept the reason defendants advance for denying the right to photocopy, then it might well be said that a records custo-

dian in some past day could, with equal justification, have insisted that the interested citizen use quill instead of pen, or pen instead of typewriter.

The only limitations upon the use of photocopying equipment must be that such equipment does not occupy an unreasonable amount of working space or unreasonably interfere with the regular routine of the office involved, and that its performance be such as not to damage or impair the physical records themselves or their contents.

The district court appears to have been particularly concerned because rebroadcast of the videotape evidence would cause "dissemination of powerfully convincing evidence beyond the confines of the trial arena . . ." 501 F.Supp. at 860. There can be no question that actual observation of testimony or exhibits contributes a dimension which cannot be fully provided by secondhand reports. As the court stated in *Oxnard Publishing Co. v. Superior Court of Ventura County*, 68 Ca.Rptr. 83, 95 (Ct.App.1968):

Important, sometimes vital, parts of the trial, including the appearance, demeanor, expression, gestures, intonations, hesitations, inflections, and tone of voice of witnesses, of counsel, and of the judge are not there. In the absence of public attendance a substantial part of the real record of the proceeding will have been permanently lost to public scrutiny.

However, such publicity, rather than favoring rejection of the application, may in fact support its grant, absent compelling reasons to the contrary. Chief Justice Burger recognized that in the practicalities of information dissemination in contemporary American life, "[i]nstead of acquiring information about trials by firsthand observation or by word of mouth from those who attended, people now acquire it chiefly through the print and electronic media. In a sense, this validates the media claim of functioning as surrogates for the public." *Richmond Newspapers*, 100 S.Ct. at 2825. Replication of the trial court experience may contribute to the public's understanding of the events which were the subject of the trial proceedings, and thereby enhances its "comprehension of the functioning of the entire criminal justice system . . ." *Id.*, quoting *Nebraska Press Association v. Stuart*, 427 U.S. 539, 587, 96 S.Ct. 2791, 2816, 49 L.Ed.2d 683 (1976) (Brennan, J., concurring).

2. Rebroadcast as Enhanced Punishment

[2] The district court placed great emphasis on the effect of publicity which rebroadcast would cause defendants. The court recognized that publicity was one of the unavoidable impacts of the criminal justice system upon persons whose activities subject them to criminal charges. The court then stated:

The greater and more widespread the publicity about a particular criminal case, the more likely it is that penalties not prescribed by the law will be visited upon the accused and, more importantly, upon innocent relatives and friends. . . .

Given the nature of our society these side effects are inevitable; indeed, it can be argued that they form an important, if unofficial, part of the sanctions imposed by society upon lawbreakers. The unfortunate fact is, however, that these side effects are not uniformly visited upon persons accused of violating the law. And, since they are not an official part of the criminal justice process, and are beyond the reach of that process, there is probably no acceptable way of ensuring uniformity of application.

501 F.Supp. at 860

There are several distinct threads running through the district court's discussion which merit separate analysis. All of the courts which have considered applications for copying tapes have iterated that there are certain circumstances which justify denial of the application. Primarily, as noted by the Supreme Court, denial is justified to prevent court files from becoming a vehicle for improper purposes. *Warner Communications*, 435 U.S. at 598, 98 S.Ct. at 1312. The illustrations given by the Court of such "improper purposes" were use of records "to gratify private spite or promote public scandal" through publication of the "painful and sometimes disgusting details of a divorce case"; to facilitate distribution of libelous statements; and to harm a litigant's competitive standing by distribution of business information. *Id.* The Court's illustrations are most aptly directed to applications for initial access, since the attendant publicity following access by the press to the information cannot be prevented. See *Cox Broadcasting Corp. v. Cohn*, 420 U.S. 469, 491-497, 95 S.Ct. 1029, 1044-1047, 43 L.Ed.2d 328 (1975).

Even when initial access is unavoidable, as in the case of trial evidence, there are instances where the right to copy evidence already made public has been denied pursuant to the court's power to prevent use of evidence for improper purposes. For example, in *In re Application of KSTP Television*, 504 F.Supp. 360 (D.Minn. Dec. 1, 1980), the court denied the application of a television station to copy videotapes made by the defendant which recorded conversations and conduct preliminary to and anticipatory of his rape of one of his kidnapping victims. Although this evidence had been shown in the courtroom, and transcripts were furnished to the media, the court denied the application to permit copying of the tapes themselves because further broadcast would support sensationalism, would not serve the public interest, and "would impinge upon the precious privacy rights of . . . the unfortunate victim of the crime, and would lend the court's approval to the commercial exploitation of a voice and photographic display catering to prurient interests without proper public purpose or corresponding assurance of public benefit." *Id.*, at 362 (footnote omitted).

We believe there is a vast difference between republication which would intensify the pain already inflicted on an innocent victim of a crime, as in the *KSTP* case, and the additional publicity which would affect defendants who are themselves charged with commission of a crime. In this case,

particularly, when the defendants themselves were public figures and their conduct was already the subject of national publicity and comment, we find the district court's concerns about the incremental effect of rebroadcast publicity to be unconvincing. The glare of publicity that may follow rebroadcast of the activities of these defendants cannot be compared with that which might lead a court to shield "children, victims of sex crimes, some informants, and even the very timid witness or party." *Chandler v. Florida*, ____ U.S. ____, ____, 101 S.Ct. 802, 811, 66 L.Ed.2d 740 (1981).

Nor can we accept the court's strained analogy of rebroadcast to "parading a convicted defendant through the streets, or holding him up to public ridicule by exhibiting him in a cage or in the stocks." 501 F.Supp. at 860. The application at issue seeks only to rebroadcast evidence actually introduced at trial which has already passed the trial court's scrutiny for relevance. In *Chandler*, the Supreme Court held that the television coverage of a criminal trial for public broadcasting over the defendant's objection does not per se violate the due process clause. Similarly, the publicity consequent to rebroadcast of some of the evidentiary material introduced at trial will not, in itself, violate accepted notions of the decent administration of justice.

Members of the criminal defense bar, amici in the *Chandler* case, presented an argument which proceeded on a basis similar to the "enhanced punishment" idea accepted by the district court in this case. They raised the concern that coverage of select cases "singles out certain defendants" and that the broadcasters' selection will be governed by such facts as the nature of the crime and the status and position of the accused. The Court stated that "[t]he unanswered question . . . whether electronic coverage will bring public humiliation upon the accused with such randomness that it will evoke due process concerns" was "far from trivial," but that the answer must "await the continuing experimentation." *Id.* at ____, 101 S.Ct. at 813. Rebroadcast on television of audio and videotapes of a trial already completed is far less likely than concurrent broadcast of trial proceedings to create a circus or stadium atmosphere. Therefore, without any evidence to the contrary, we believe that such rebroadcast cannot appropriately be considered to be enhanced punishment of the defendants.⁸

⁸In *Chandler v. Florida*, the Court stated that "The concurring opinion of Chief Justice Warren joined by Justices Douglas and Goldberg in *Estes* can fairly be read as viewing the very broadcast of some trials as potentially a form of punishment in itself—a punishment before guilt. This concern is far from trivial." ____ U.S. at ____, 101 S.Ct. at 812. In *Chandler* as in *Estes* there was apprehension that "trials would be selected for television coverage for reasons having nothing to do with the purpose of trial." *Estes v. Texas*, 381 U.S. 532, 576, 85 S.Ct. 1628, 1649, 14 L.Ed.2d 543 (1965) (Warren, C. J., concurring). Chief Justice Warren's concern was directed to the possibility that a petitioner who "has attracted

No suggestion has been made in this case that the broadcasters are motivated by any improper purpose.⁸ While representatives of the media may not have any superior right to access than does the general public, they serve the public interest in communication of information. They have the facilities which will permit the dissemination of audio and videotape evidence to members of the public who were not present at the trial proceedings. The fact that there will be a congruence between information-receiving interests of the public and the commercial interests of the broadcasters in this instance does not thereby taint the broadcasters' request. See *United States v. Mitchell*, 551 F.2d at 1265.

3. *Risk of Infringement of Defendants' Rights to Fair Trial*

The most serious factor considered by the district court in its conclusion that the tapes should not be released was its finding that "release of the tapes at this time would seriously jeopardize the fair trial rights of the defendants." 501 F.Supp. at 861. Although the trials of Schwartz and Jannotti had been completed, the court found that the possibility of a retrial was not purely speculative and referred to the fact that the initial trials of Johanson and Criden had not yet taken place in this district. The court reasoned that despite "the vast amount of publicity which had already been accorded to this case, there remains a possibility that an untainted jury may yet be obtainable," but found that "the heightened publicity which would attend broadcasting of the actual tapes, and . . . the vastly enhanced impact of the tapes themselves [would make it] much less likely that a truly impartial jury could be obtained" for the future trials. *Id.*

After the district court's decision on October 22, 1980, several relevant events have intervened. We have been advised that the government has filed motions with the district court seeking dismissal of the indictments against both defendant Criden and Johanson, and that these motions to dismiss are unopposed.⁹ Although no action on these motions has yet been taken by Judge Fullam, and we express no opinion with respect to them, we are, of course, aware that such unopposed motions are rarely denied, and therefore a future trial against Criden and Johanson in this district on these charges, while not impossible, is unlikely. Furthermore, on November 26, 1980, Judge Fullam "with great reluctance" set aside the convictions of both Schwartz and Jannotti after concluding that the

the public interest would find his trial turned into a vehicle for television," which would affect the impartiality of the jury and the fairness of the trial proceedings. *Id.* at 576-77, 85 S.Ct. at 1649-50. There is nothing in Chief Justice Warren's concurring opinion which would support the district court's view of publicity as "enhanced punishment" unrelated to the fairness of the trial proceedings themselves.

⁹Letter from Edward H. Rubenstone dated January 29, 1981, to the Clerk of the Court, following oral argument in this case.

evidence at trial established entrapment as a matter of law, and, in the alternative, that the defendants were entitled to judgments of acquittal "on the ground of governmental overreaching amounting to a violation of due process of law" or on the ground "that the circumstances relied upon to establish federal jurisdiction over the offenses charged were artificially created by the government in an attempt to exceed the proper scope of federal law enforcement." *United States v. Jannotti*, 501 F.Supp. at 1205.

Judge Fullam's ruling with regard to Schwartz and Jannotti does not obviate all possibility of a retrial. That ruling has been appealed by the government. If it is not sustained, defendants will undoubtedly seek to have their jury conviction overturned for alleged trial errors. Thus, there remains the possibility that Schwartz and Jannotti may have to be tried again in this district, and the effect of rebroadcast of the audio and videotapes on a possible future jury cannot be summarily dismissed.

Considerations of the effect of publicity on a jury are ordinarily matters on which the trial court's judgment is entitled to considerable deference by an appellate court. The trial court has already supervised the selection of one jury and any particular problems which the news coverage in this highly publicized matter created for the selection process would have come to the trial court's attention. Therefore, if the trial court had already experienced difficulty in jury selection, we would be faced with an actual rather than conjectural factor militating against release of the tapes for rebroadcast. However, the trial court's experience was the contrary. The court stated that "while virtually all of the prospective jurors called in the Schwartz and Jannotti case had heard or read about the case, most were able to state, truthfully in my view, that their awareness of the case was somewhat vague, and that they had formed no lasting conclusions concerning the guilt or innocence of the defendants." 501 F.Supp. at 861. Accordingly, the danger to defendants' fair trial rights on a possible retrial is not based on the trial court's experience in this case, but rather on its conjecture about possible future difficulties. In fact, other district judges sitting in related Abscam trials have also concluded that the publicity which would attend release of Abscam tapes would not rise to such a level as to imperil defendants' due process rights. *See United States v. Thompson*, 80 Crim. 291 (E.D.N.Y. Nov. 10, 1980) (order granting applications to copy); *United States v. Carpentier*, 80 Crim. 102 (E.D.N.Y. Dec. 1, 1980) (order granting applications to copy). *See also United States v. Haldeman*, 559 F.2d 31 (D.C. Cir. 1976), *cert. denied*, 431 U.S. 933, 97 S.Ct. 2641, 53 L.Ed.2d 250 (1977) (Watergate defendant).

We appreciate the sensitivity with which Judge Fullam approached the fair trial issue, since it demonstrates an acute awareness that defendants' due process right to a fair trial is the linchpin of our criminal justice system. Nonetheless, we must distinguish between those situations where there is hypothetical prejudice and those where it can be demonstrated that

there has been actual prejudice caused by publicity. *Compare Chandler v. Florida with Estes v. Texas*, 381 U.S. 532, 85 S.Ct. 1628, 14 L.Ed. 2d 543 (1965).

As the Court noted in the *Chandler* case, “[a]ny criminal case that generates a great deal of publicity presents some risks that the publicity may compromise the right of the defendant to a fair trial.” ____ U.S. at ____, 101 S.Ct. at 809. There are, however, certain practical considerations that must be taken into account before finding that the possible effect of such publicity in a possible retrial warrants denial of access to evidence already introduced. Effectively, this would result in denial of the right to copy at a time when the issues remained a matter of public interest. Thus the educational and informational value of public observation of the evidence would never be available at a meaningful time. *See United States v. Mitchell*, 551 F.2d at 1261–62.

The decision of the Supreme Court in *Chandler* suggests that the appropriate course to follow when the spectre of prejudicial publicity is raised is not automatically to deny access but to rely primarily on the curative device of voir dire examination at the time of any possible retrial. The Court stated:

Over the years, courts have developed a range of curative devices to prevent publicity about a trial from infecting jury deliberations. See, e.g., *Nebraska Free Press Association v. Stuart*, 427 U.S. 539, 563–565, 96 S.Ct. 2791, 2804–2806, 49 L.Ed.2d 683 (1975).

An absolute constitutional ban on broadcast coverage of trials cannot be justified simply because there is a danger that, in some cases, prejudicial broadcast accounts of pretrial and trial events may impair the ability of jurors to decide the issue of guilt or innocence uninfluenced by extraneous matter. The risk of juror prejudice in some cases does not justify an absolute ban on news coverage of trials by the printed media; so also the risk of such prejudice does not warrant an absolute constitutional ban on all broadcast coverage. A case attracts a high level of public attention because of its intrinsic interest to the public and the manner of reporting the event. The risk of juror prejudice is present in any publication of a trial, but the appropriate safeguard against such prejudice is the defendant’s right to demonstrate that the media’s coverage of this case—be it printed or broadcast—compromised the ability of the particular jury that heard the case to adjudicate fairly.

____ U.S. at ____, 101 S.Ct. at 809. The district court here gave inadequate weight to the use of voir dire, the traditional method of protecting defendants from the adverse effects of publicity.

4. Concerns About Initial Admissibility of the Tapes

The district court expressed concern about the correctness of its initial decision concerning admissibility of the tapes which it weighed as another factor justifying denial of the broadcasters’ application. The district court reaffirmed its original view “that the rulings were correct” but candidly

stated that “the issue is certainly not free from doubt.” 501 F.Supp. at 862. We will not reach to decide the substantive issue of the propriety of the original ruling on admissibility since it arises here only in a tangential proceeding but is likely to come before this court more directly on appeal from the convictions. Whatever the validity of the original ruling, the tapes were in fact admitted into evidence, their contents publicized, and the transcripts of the tapes released to the press. Thus, whatever privacy right defendants may have claimed in such tapes is irretrievably lost, and if any remedy remains, it must perforce be confined to appellate action with regard to the underlying conviction. It would unduly narrow the right of access were it to be confined to evidence properly admitted, since the right is based on the public’s interest in seeing and knowing the events which actually transpired. Our prior comments distinguishing between defendants and innocent victims are also applicable in regard to this factor.

5. Tape Material As To Criden

A further factor referred to by the district court was that several portions of the videotape showing periods when Criden was alone in the room “snooping through the contents of the undercover agent’s briefcase” were deemed admissible at the Schwarz-Jannotti trial but would not only be inadmissible in the Criden trial, but would be “devastatingly prejudicial” against him. 501 F.2d at 862. In view of the slim likelihood of any trial against Criden, *see* p. 825 *supra*, this factor loses much of the force attributed to it by the district court. Furthermore, the same voir dire protections referred to at p. 827 *supra* would also be available for Criden.

6. Analogy to Prohibitions Against Broadcasting Actual Trial

Another factor relied on by the district court was the prohibition by resolution of the Judicial Conference of the United States of the televising or other broadcasting of trial proceedings in the federal courts. The court found this relevant not only because such prohibition is directed to maintaining courtroom decorum or avoiding distracting influences, but also because such broadcasting “may affect the integrity of the trial process.” The district court recognized the issue was pending before the Supreme Court at the time of its opinion.

As we have previously noted, following the district court’s decision the Supreme Court ruled in the *Chandler* case that contemporaneous broadcasting of criminal trials was not unconstitutional and thereby alleviated, at least on a constitutional level, the concerns about the effect of possible nationwide broadcasting on the integrity of the trial process. Of course, the district court is not precluded from considering that factor in reaching a discretionary decision on release of the tapes. However, we believe the

district court failed to appreciate the basic distinction between the effect of a contemporaneous broadcast and the broadcast of tapes made before the trial. The Judicial Conference resolution is based on apprehension about the effect that contemporaneous broadcast of trial proceedings might have on the conduct of the trial itself. This cannot be a relevant factor when the material sought for copying is merely videotape of a preexisting event, since the participants on the tape cannot posture or otherwise change their behavior to play before a television audience.

7. Scurrilous and Libelous Statements About Third Parties

The district court stated that the evidence in the present case was distinguished from that in the Watergate litigation and the *Myers* cases because "the tapes now under consideration are replete with scurrilous and libelous statements about third parties. I simply do not believe that a court should condone, much less affirmatively aid, the large-scale republication of such material." 501 F.Supp. at 862-63. As we have previously stated, courts may appropriately exercise their discretion to deny copying for rebroadcast of evidence which may inflict unnecessary and intensified pain on third parties who the court reasonably finds are entitled to such protection. Our review as to the strength of this factor in this case is hampered because the district court has failed to specify the nature of the offending statements or identify the persons concerned. For example, we do not know if the district court used the terms "scurrilous" and "libelous" as terms of art. They have different denotations. A "scurrilous" statement is generally considered to be merely "offensive" while a libelous" statement is actionable. *See generally Tollett v. United States*, 485 F.2d 1087, 1092-96 (8th Cir. 1973). That which is scurrilous to one viewer may be shrugged off by another.

Under these circumstances, we believe it appropriate to remand this matter so that the district court can exercise its discretion to determine where specific portions of the tapes merit excision. We are confident that the court will recognize that in view of our conclusion that there is no basis to withhold the right to copy the tapes in general, if any portion is deleted the broadcasters will be able to identify precisely which material has been deleted by comparing the transcripts of the evidence which they already have with the taped material to be made available to them. Therefore, excision might elicit comment on and reference to precisely the material which the district court would seek to protect. Nonetheless, the district court has some area of discretion in which to balance the strong public interest favoring access against legitimate private concerns of third parties. We therefore remand to the district court to consider, in light of this balancing, whether actual broadcast of videotape material is so likely to cause such serious harm to third parties that excision is warranted.

IV.

[3] We are cognizant that no two judges can afford precisely the same weight to the factors which enter into a discretionary decision. For the reasons we previously discussed, the trial court is generally given considerable leeway in the delicate balancing which must be performed. In this case, however, we conclude that the trial court accorded too little weight to the strong common law presumption of access and to the educational and informational benefit which the public would derive from broadcast of evidence introduced at a trial which raised significant issues of public interest. Similarly, the court accorded too much weight to concerns which we believe either are irrelevant or capable of resolution in some manner short of denial of the application. Accordingly, we believe that the application of the broadcasters should be granted, except for that material which the district court explicitly determines to be impermissibly injurious to third parties.

For the foregoing reasons, we will REVERSE the judgment of the district court and REMAND for further proceedings in accordance with this opinion.

WEIS, *Circuit Judge*, concurring and dissenting.

As the majority opinion admits, the right to copy court exhibits is not of constitutional derivation but springs from a common law tradition. The right is not unlimited, but as the parties concede, is a matter of trial court discretion. Thus, the broad statement in *Craig v. Harney*, 331 U.S. 367, 374, 67 S.Ct. 1249, 1254, 91 L.Ed. 1546 (1947), that “[w]hat transpires in a courtroom is public property” does not apply to the right to copy exhibits. Rather, as the Court said in *Nixon v. Warner Communications, Inc.*, 435 U.S. 589, 598, 98 S.Ct. 1306, 1312, 55 L.Ed.2d 570 (1978):

“It is uncontested . . . that the right to inspect and copy judicial records is not absolute. Every court has supervisory power over its own records and files, and access has been denied where court files might have become a vehicle for improper purposes.”

The extended discussion of *Richmond Newspapers, Inc. v. Virginia*, ___ U.S. ___, 100 S.Ct. 2814, 65 L.Ed.2d 973 (1980), in the majority opinion, albeit accompanied by disclaimers, has an unfortunate tendency to conjure up constitutional confusion about the right of access at issue here. *Richmond Newspapers* focused on a constitutional right to attend a criminal trial. The distinction between attendance at a trial and access to court records was addressed by the Supreme Court in *Nixon v. Warner Communications*. The Court made clear the difference between the right to obtain information placed in the public domain through disclosure at an open trial and the right to gather the same information by copying

court records themselves. The issue was not whether the press must be “permitted access to public information to which the public generally is guaranteed access, but whether these copies of the White House tapes—to which the public has never had *physical* access—must be made available for copying.” 435 U.S. at 609, 98 S.Ct. at 1318. Nor does *Richmond Newspapers* controvert the Court’s statement in the *Nixon* case that “the requirement of a public trial is satisfied by the opportunity of members of the public and the press to attend the trial and report what they have observed.” 435 U.S. at 610, 98 S.Ct. at 1318. That holding was referred to in *Chandler v. Florida*, ____ U.S. ____, ____, 101 S.Ct. 802, 807, 66 L.Ed. 740 (1981), with no indication that it was affected in any way by *Richmond Newspapers*. Clarity therefore requires that the underlying premise in this case be stated once again. Access to court records is not a matter of constitutional right.

In determining whether records should be available for copying, the courts must weigh “the interests advanced by the parties in the light of the public interest and the duty of the courts.” *Nixon v. Warner Communications*, 435 U.S. at 602, 98 S.Ct. at 1314. Factors such as an incremental gain in public understanding of an event and the presumption in favor of public access to court files weigh in favor of allowing copying. Counseling against access would be such matters as improper use, including publication of scandalous, libelous, pornographic, or trade secret material; infringement of fair trial rights of the defendants or third persons; and residual privacy rights.

The majority characterizes the presumption favoring access as “strong.” I assume that the proof required to rebut a “strong presumption” is not as demanding as the showing necessary to come within the Second Circuit’s exemption—“only the most extraordinary circumstances should prevent contemporaneous public access,” *In re Application of National Broadcasting Company (Myers)*, 635 F.2d 945, 952 (2d Cir. 1980). Neither is the majority’s test as stringent as the District of Columbia Circuit’s—access should be denied only when “justice so requires,” *United States v. Mitchell*, 551 F.2d 1252, 1260 (D.C.Cir. 1976).

To the extent that its opinion specifically rejected the extreme tests articulated by the Second Circuit and the D.C. Circuit, I agree with the district court. In reversing the *Mitchell* case, the Supreme Court pointedly declined to accept the D.C. Circuit’s standard when it assumed the applicability of a “presumption—however gauged—in favor of public access to judicial records.” 435 U.S. at 602, 98 S.Ct. at 1314. In any event, this court would be on much more solid footing if it declined to classify the presumption in terms of its strength, and simply left its existence as one factor to be considered.

The unique feature of this case is the district court's conclusion that the very great differences between videotapes and other forms of evidence pose different considerations. As the court phrased it,

"Eyewitness testimony is often dramatic and convincing, but its effectiveness and convincing power are almost negligible in comparison with a film or videotape of actual events. When the videotape shows a crime actually being committed, it simply leaves nothing more to be said. This is all to the good, when the videotape is presented in evidence in the course of a trial. The jury is plainly entitled to the best and most reliable evidence available in its quest for truth."

The court expressed concern, however, that such powerful evidence can cause serious and irreparable harm to the judicial process and to persons who are entitled to protection.

It is true that a videotape of an event is far more accurate as to the events portrayed than the subsequent testimony of the most meticulous human witness, just as a videotape deposition is much more informative as evidence than the conventional stenographically recorded transcript. Nevertheless, courts and lawyers have traditionally placed heavy emphasis upon the written word and have been reluctant to change. The legal profession has been slow to accept modern and more accurate forms of communication, although it recognizes that the words used by a speaker are only part of the message. Lost in the written word are gestures, expressions, intensity of delivery, and other "body language" which convey more than the printed page can hold. Videotape depositions are slowly becoming common, but videotapes of trials made under court supervision have been utilized in only a few scattered instances. This reluctance lingers despite the great potential for furnishing a far more exact and enlightening record than the traditional transcript.

The fact that videotape evidence of an event is more reliable and convincing than a human being's imperfect description may indeed be a factor in a court's decision whether to release the evidence to the public. The videotape does not employ euphemisms but produces the truth in stark reality, sometimes so brutally as to be unsuitable for general audiences. As an example, a press representative in reporting a trial may adequately inform the general public about a challenged motion picture film by describing it as pornographic. It is not necessary that the film or excerpts be released for use in the evening TV news. Indeed, to permit such a showing under the guise of news would only thwart the laws prohibiting exhibition.

That trial court discretion is necessary to prevent excesses is demonstrated by *In re Application of KSTP Television*, 504 F.Supp. 360 (D.Minn.1980), where a commercial TV station sought release of videotapes showing conduct preliminary to, and in anticipation of, rape. The district court, in protecting the privacy rights of the victim, refused to release the tapes, despite the fact that they had been shown at trial and

transcripts had been furnished to the media. The court rejected the contention that the television station had a right to copy and publicize the tapes, stating, "There must then come some point where the public's right to information must bow to the dignity of the individual person." 504 F.Supp. at 362.

The fact that a television station would seek to broadcast material of this nature is powerful justification for the principle that access to court records must be limited by judicial discretion. The KSTP incident may also explain why states experimenting with the televising of trials leave to the trial judge's discretion the decision to exclude coverage of certain witnesses or portions of a trial. See *Chandler v. Florida*, ____ U.S. at ____, ____, 101 S.Ct. at 805, 812. This discretion is compatible with that applicable when more traditional court exhibits are sought to be publicized. For example, gruesome or revolting photographs need not be released, and in most instances, dissemination of medical records would be an unwarranted affront to personal privacy.

In the case at hand, however, the unrelenting depiction in the evidence does not justify total denial of access to the videotapes. The negotiations for and bribery of government officials is a proper subject of public concern and reporting by the media. In this instance, the nature of the evidence is not such that vividity of the videotape in comparison to a witness's description of the occurrence is a reason for denial of access. Indeed, the inherent accuracy of the tapes may argue for their broadcast rather than less precise and comprehensive news reports.

A separate consideration present in this case is that there is irrelevant matter injurious to third parties on the tapes that merits consideration. The district court was concerned that copying would result in widespread dissemination of scurrilous and libelous statements about persons who were not parties and said, "I simply do not believe that a court should condone, much less affirmatively aid the large scale republication of such material." In this case, I would accept the trial judge's characterization of these statements without more and affirm his exercise of discretion in denying a copy of this objectionable matter.

That, however, does not mean that access to all of the material on the tapes should be barred. The privacy and reputation interests to which the trial court referred are legitimate ones, and there has been no showing by the petitioners of any overriding interest in televising those particular segments of the tapes. Technologically it is feasible for the trial court to redact copies of the tapes to remove objectionable comments without an undue expenditure of time or effort. The offensive remarks themselves unfortunately are already matters of public record, but there is no need for emphasis by leaving them in the tapes that will be shown to the television audience. Nor indeed have the TV stations shown any interest in broadcasting that material.

The trial court was also troubled by the possibility that, should a retrial become necessary, Schwartz and Jannotti could be prejudiced if the TV stations replayed the tapes. He commented that "the broadcasters can undoubtedly be relied upon to replay the tapes as part of their advance coverage of such trials." In this instance I agree with the majority that the likelihood that Schwartz and Jannotti would not have a fair trial is too speculative to rebut the presumption in favor of access.

As a practical matter, it must be recognized that if on appeal a new trial is ordered, considerable time will have elapsed before the case is again presented to a jury. The possibility of extensive television coverage of a retrial or of sustained public interest over that period of time is doubtful at best. So often newsworthy events greeted with excitement today only evoke ennui tomorrow.

I do not agree, then, with the trial judge's fear that the tapes will be replayed. Moreover, if they are broadcast, and the tapes themselves are again admitted, it would be difficult to establish that a prospective juror has been influenced simply because he has seen some part of the evidence in advance of trial. *Stroble v. California*, 343 U.S. 181, 191-95, 72 S.Ct. 599, 604-06, 96 L.Ed. 872 (1952); see *Murphy v. Florida*, 421 U.S. 794, 95 S.Ct. 2031, 44 L.Ed.2d 589 (1975). Even if the video tapes are found to be inadmissible on retrial, it would not follow necessarily that testimony about the events shown on the tapes would also be excluded. If such evidence is introduced, the tapes might be found to be merely cumulative and, therefore, dismissal of a viewing juror might not be required.

In any event, the presumption in favor of public access to exhibits may be overcome on a showing that publication would deny a fair trial to a defendant. That factor must be carefully weighed, and it must be recognized that not all publicity about a trial is prejudicial. It is worthy of note that in *Chandler* the Supreme Court said, "An absolute constitutional ban on broadcast coverage of trials cannot be justified simply because there is a danger that, in some cases, prejudicial broadcast accounts of pretrial and trial events may impair the ability of jurors to decide the issue of guilt or innocence uninfluenced by extraneous matter." *Chandler v. Florida*, ___ U.S. at ___, 101 S.Ct. at 810. Although both constitutional and supervisory concerns are implicated in the circumstances here, I agree that the possibility of injury to Schwarz and Jannotti is too remote to prevail against the presumption of access.

I do not reach the same conclusion, however, in the Criden situation. The district court believed that admission of certain portions of the tape would be "devastatingly prejudicial" to Criden and therefore concluded that premature publication might interfere with his right to a fair trial.

There is a significant difference between the Schwartz-Jannotti and Criden situations. There has been a considered trial ruling by the district judge in Schwartz-Jannotti that the evidence was admissible. With respect

to Criden, by contrast, there is the probability that some portions of the tapes will be excluded if the case is tried. The broadcast of inadmissible evidence immediately prior to trial and at a time when public interest is at its peak may deprive the defendant of a fair trial. *See Rideau v. Louisiana*, 373 U.S. 723, 83 S.Ct. 1413, 10 L.Ed.2d 663 (1963).

In the Criden situation, the respective interests may be weighed and a solution achieved by deleting those portions of the tapes that the trial judge is convinced would be inadmissible and pose a substantial threat to the right of a fair trial. As the majority opinion states, developments in Criden's case since the district court decided this matter may have eliminated the problem. Rather than ruling on the basis of incomplete information, however, I would remand to the district court for reconsideration in light of the changed circumstances and the possibility of redacting the tapes rather than prohibiting their use in toto.

Prejudicial pretrial publicity that jeopardizes a defendant's constitutional right to a fair and impartial jury is a continuing problem for the nation's trial courts. It is obvious that the courts cannot block publication of material that the press has obtained. This is so even though the frequent invocation of customary "remedies" for prejudicial publicity neglects to recognize that their use may deprive the defendant of valued constitutional rights, such as a speedy trial, a jury of the vicinage, or a jury representing a fair cross section of the population. The inability to limit prejudicial pretrial publicity, however, does not mean that the courts are bound to contribute to it.

In summary, I agree with the result reached by the majority, although I do not subscribe to all of the language used in the opinion. A proper purpose for access has been shown with the exceptions I have discussed, and therefore, the order should be vacated and the case remanded.

UNITED STATES of America v. SAM GOODY, INC., George Levy, and
Samuel Stolon, Defendants

Nos. CR 80-507, XCR 80-95

(United States District Court, E. D. New York—January 8, 1981)

506 F. Supp. 380. 210 USPQ 318

[See also 518 F. Supp. 1223, and *infra* (E.D.N.Y., July 27, 1981); 675 F.2d 17, 46 C.O. Bull. 1273(2d Cir.—*Appeal dismissed; writ denied*, Mar. 15, 1982)]

On defendants' motion to dismiss, the District Court, Platt, J., held that: (1) unauthorized duplicates of copyrighted sound recording were "goods, wares, [or] merchandise" as required for fraudulent taking of such recordings to be violation of interstate transportation of stolen property statute, even though actual tapes on which such unauthorized duplications of sounds were placed were not stolen; (2) act of duplicating copyrighted aggregations of sounds without authorization constituted "stealing, converting, or taking by fraud," and thus such act could be prosecuted under interstate transportation of stolen property statute; (3) defendants could not avoid prosecution on alleged violation of Racketeer Influence and Corrupt Organizations Act charge because they claimed not to be members of organized crime; (4) absent entrapment, "sting" operation in which FBI established and maintained retail record store to serve as front for undercover operations directed against suspected criminal activity in music recording industry did not exceed recognized bounds of investigative discretion; and (5) surreptitious recording of statement by confidential informant equipped with concealed body recorder did not occur at "critical stage" of prosecution, and thus such recording did not violate defendant's Six Amendment right to counsel.

Motions denied.

1. Constitutional Law

Obtaining superseding indictments to cure inartfully drafted charges was proper and did not violate defendants' rights to due process. U.S.C.A.Const. Amend. 5.

2. Criminal Law

As a matter of statutory interpretation, mere existence of three distinct criminal statutes under which defendants may be prosecuted for alleged conduct does not create requirement that one such statute be used to exclusion of others.

3. District and Prosecuting Attorneys

Overlapping criminal statutes may be used jointly or separately, in discretion of prosecutor, where statutes have distinct elements.

4. Receiving Stolen Goods

Activity allegedly constituting interstate trafficking in counterfeit recordings did not have to be prosecuted solely under statute making trafficking in counterfeits misdemeanor offense, and such conduct could be prosecuted under interstate transportation of stolen property statute, even though trafficking in counterfeits statute was enacted later and was arguably more specific. 18 U.S.C.A. §§ 2314, 2318.

5. Receiving Stolen Goods

Unauthorized duplicates of copyrighted sound recording were "goods, wares, [or] merchandise," as required for fraudulent taking of such recordings to be violation of interstate transportation of stolen property statute, even though actual tapes on which such unauthorized duplications of sounds were placed were not stolen. 18 U.S.C.A. § 2314.

See publication Words and Phrases for other judicial constructions and definitions.

6. Receiving Stolen Goods

Act of duplicating copyrighted aggregations of sounds without authorization constituted "stealing, converting, or taking by fraud," and thus such act could be prosecuted under interstate transportation of stolen property statute. 18 U.S.C.A. § 2314.

7. Receiving Stolen Goods

Defendants, who were charged with violation of interstate transportation of stolen property statute, could not avoid prosecution on alleged violation of Racketeer Influence and Cor-

rupt Organizations Act charge because they claimed not to be members of organized crime. 18 U.S.C.A. §§ 1961, 1962(c), 2314.

8. Indictment and Information

Dismissal is drastic sanction, and is to be applied only when interests of orderly society clearly require it and when no narrower means exists to protect defendants from informers and to discourage questionable governmental practices in future.

9. Criminal Law

Absent entrapment, "sting" operation in which FBI established and maintained retail record store to serve as front for undercover operations directed against suspected criminal activity in music recording industry did not exceed recognized bounds of investigative discretion.

10. Criminal Law

Surreptitious recording of statement by confidential informant equipped with concealed body recorder did not occur at "critical stage" of prosecution where no adversary prosecutorial proceedings had commenced at time defendant's statement was elicited and recorded, and thus such recording did not violate defendant's Sixth Amendment right to counsel. U.S.C.A. Const. Amend. 6.

E. R. Korman, U. S. Atty. E. D. N. Y., Brooklyn, N.Y. by John Jacobs, Sp. Atty., for plaintiff.

Dewey, Ballantine, Bushby, Palmer & Wood, by Kenneth H. Holmes, New York City, for Sam Goody, Inc.

Lowenthal, Landau & Fischer by Robert E. Fischer/Barry Singer, New York City, for Levy.

Gold, Farrell & Marks, by Martin Gold, New York City, for Stolon.

MEMORANDUM AND ORDER

PLATT, *District Judge*. In a sixteen-count indictment filed February 28, 1980, the Government charged Sam Goody, Inc. (hereinafter the "Corporation") its president, George Levy, and its vice-president in charge of procurement, Samuel Stolon, with various offenses arising from the Corporation's business of buying and selling musical phonograph records, eight track tapes, and cassette tapes. Specifically that indictment charges that the defendants knowingly defrauded the public, various sound recording companies, and various recording artists and musicians by dealing in unauthorized recordings of copyrighted works.

Last spring (1980) defendants made several pretrial motions relating to discovery, the conduct of prosecution and the legal sufficiency of the indictment. Following a full briefing of the issues and oral argument, the Court made rulings on the discovery motions and reserved decision on the remaining motions. Subsequently, on August 25, 1980, this Court indicated the substance of its rulings on the remaining motions at a conference attended by all parties, [with the understanding that a written

opinion would follow. Herewith, that opinion, along with our opinion on other motions.]

I

A

The Original Indictment

The original indictment may be considered to consist of two distinct parts. The first part, consisting of counts 1 through 4, alleges felonies; the second, consisting of counts 5 through 16, alleges misdemeanors. All counts treat the defendants collectively.

Count 1 alleges a violation of the Racketeer Influence and Corrupt Organizations Act ("RICO"), 18 U.S.C. § 1961 *et seq.*, in that the individual defendants in conducting the affairs of the Corporation, engaged in a "pattern of racketeering activity", as that phrase is defined in § 1961(5). "Racketeering activity" is itself defined in § 1961(1) to include, *inter alia*, certain enumerated federal felonies. Count 1 alleges that the underlying felonies for this RICO count are three separate violations of 18 U.S.C. § 2314, interstate transportation of stolen property in the form of counterfeit sound recordings purporting to have been produced and distributed by legitimate recording companies, including CBS, Inc., Casablanca Record and Film Works, Inc., Arista Records, Inc., and RSO Records, Inc.

Count I further alleges that the results of this pattern of racketeering activity were fourfold: (1) It was fraudulently represented to the public and to business enterprises dealing in sound recordings that the defendants dealt in legitimate recordings, when in fact a number of such recordings were counterfeit; (2) certain specified recording artists were fraudulently deprived of their rightful royalties and payments; (3) unspecified studio musicians were fraudulently deprived of their rightful income from the sale of the affected recordings; and (4) sound recording companies, including those mentioned above, were fraudulently deprived of their rightful royalties and income.

The alleged felonies underlying the RICO count are embodied in counts 2, 3, and 4. Each of the three counts alleges that the defendants caused to be transported in interstate commerce between Maspeth, New York, and Minneapolis, Minnesota, counterfeit recordings having a value in excess of \$5,000. Count 2 alleges one such shipment to have occurred within the period June 9-28, 1978; count 3 alleges the second such shipment during August 2-9, 1978; and count 4 alleges the third during October 17-25, 1978. Each of these shipments is alleged to have amounted to a violation of 18 U.S.C. § 2314, interstate transportation of stolen property, in-

asmuch as the counterfeit recordings constituted "goods, wares, [or] merchandise" which the defendants knew to have been "stolen, converted, or taken by fraud."

Count 5 through 16 allege twelve separate acts of copyright infringement, in violation of 17 U.S.C. §§ 106(3) and 506(a), between June 9, 1978 and January 17, 1980. Each of these counts makes reference to a specific sound recording by a well-known musician or group of musicians, released and distributed by one of the legitimate recording companies noted above. In each instance, the allegations of infringement noted the rightful copyright owner.

As indicated above, this Court on August 25, 1980, indicated to the attorneys for the parties herein that if it were called upon to make a decision at that time it would hold that the conduct alleged in counts 2, 3 and 4 would constitute an offense "more closely akin" to the proscription contained in 18 U.S.C. § 2318 than that contained in 18 U.S.C. § 2314. In this connection we noted that the Government in a Stipulation and Order dated April 15, 1980, agreed to a limitation of the theory of prosecution to a charge of stealing, converting or taking by fraud only insofar as counterfeit labels allegedly were affixed to pre-recorded tapes.

Specifically counts, 2, 3 and 4 all charge the defendants with interstate transportation of goods, wares and merchandise.

"knowing the same to have been stolen, converted, and taken by fraud, that is, counterfeit and unauthorized phonorecords of copyrighted sound recordings *which were falsely and fraudulently represented as having been produced, recorded, duplicated and released by the recording companies identified on the labels of said phonorecords.*" (Emphasis added).

Paragraph 9 of the Stipulation and Order reads in full as follows:

"The Government contends and will contend at the trial of this action that with respect to Counts 1 through 4 of the Indictment each of the pre-recorded tapes allegedly transported or caused to be transported between Maspeth, New York and Minneapolis, Minnesota was stolen, converted, and taken by fraud as charged in the Indictment *only in that it was counterfeit in that it was falsely and fraudulently represented as having been produced, recorded, duplicated and released by the recording companies identified on the labels of said pre-recorded tapes.*" (Emphasis added).

The Government argues with considerable justification that from the outset of this case these defendants knew that they were charged in Counts 2, 3 and 4 with the illegal transportation in interstate commerce of sounds fixed upon counterfeit phonorecords of copyrighted sound recordings and that it never intended to be limited to proving false labeling in these counts of the indictment. The Government points specifically to the fact that these three counts not only cite 18 U.S.C. § 2314 as the statute alleged to

have been violated but that they “parrot” the words of that Section in the heart of the charges themselves and merely add descriptive additions that do not limit the proof that may be offered thereunder. Much the same is true with respect to paragraph 9 of the Stipulation, the Government asserts.

B

The Superseding Indictment

[1] After a discussion of this question in open Court on August 25, 1980, wherein the Court pointed out that there was nothing to prevent the Government from re-presenting the case to the Grand Jury to obtain a superseding indictment which might be more artfully drawn so as to avoid any question about the nature of the charges, the Government, in an excess of caution, did just that and the new Counts 2, 3 and 4 now charge the defendants with unlawful interstate transportation of goods, wares and merchandise,

“knowing the same to have been stolen, converted and taken by fraud, that is, the aggregation of sounds fixed upon counterfeit and unauthorized phonorecords of copyrighted sound recordings, which phonorecords were manufactured and distributed without authorization of the copyright proprietors.”

Faced with this turn of events, defendants have now moved to dismiss the superseding indictment or, in the alternative, to hold the Government bound by its stipulation. In support of their motion to dismiss they argue that the “the superseding indictment represents an abuse of the grand jury system, violates the requirements of due process and should be dismissed pursuant to the Court’s supervisory powers over the proceedings before it.” Defendant’s Memorandum in Support of Motion to Dismiss Superseding Indictment at page 3.

Superseding indictments to cure pleading defects or inartfully drafted charges are not only commonplace but have been held to be perfectly proper, not abusive and not violative of due process. *United States v. Drebin*, 557 F.2d 1316, 1324-25 (9th Cir. 1977), *cert. denied*, 436 U.S. 904, 98 St.Ct. 2232, 56 L.Ed.2d 401 (1978). Nothing more or less was intended or accomplished here and as the Court of Appeals said in *Drebin* “[w]e find no merit in any of [the defendants] contentions.” *Id* at 1325.

The same is true with respect to paragraph 9 of the stipulation as to which the government has requested to be relieved if there by any question about the extent of its proof under Counts 1 through 4 of the indictment. Since the defendants have known from the outset (and in any event at the very least since the Government filed its opposition papers to their motions addressed to the original indictment) what the Government intended to prove

under those counts of the indictment, they cannot claim inadequate notice of the charges, insufficient time to prepare a defense, or any other harmful prejudice. Defendants' argument, that if they had waited until the trial and possibly to the close of the Government's case before advancing their contentions, they would have succeeded on a motion to dismiss and therefore they are prejudiced by reason of having made a pretrial motion, is hypothetical and in all likelihood unrealistic. The probability is that the alleged "variance" between pleading and proof would have surfaced prior to or in the opening statements or during the early stages of the trial and would have at best resulted in a relatively short continuance. In the event it was not raised at such stage, it might well have been deemed to have been waived, given the ambiguity of the language involved. Hence we have no difficulty in granting the Government's request to relieve it of paragraph 9 of its stipulation.

II

The defendants have also moved for dismissal of the felony counts on the ground that they do not allege facts sufficient to constitute offenses under the applicable statutes. In support of this motion, they have advanced an elaborate argument designed to show that the interstate transportation of counterfeit recordings does not constitute a violation of § 2314, the interstate transportation of stolen property statute. If we were to accept this argument, counts 2, 3, and 4—the counts based on § 2314—would, of course, have to be dismissed. Importantly, count 1, the RICO count, would also not survive because the § 2314 counts now serve as the predicate for the RICO count. 18 U.S.C. § 1961(1)(B).

In addition, the defendants have asserted a separate argument, directed only against the RICO count. They argue that RICO was never intended to apply to a prosecution of the type here and its application here would then be inappropriate as a matter of law.

We will address these contentions *seriatim*.

A

The § 2314 Counts

Section 2314 provides in pertinent part:

"Whoever transports in interstate or foreign commerce any goods, wares, merchandise, securities or money, of the value of \$5,000 or more, knowing the same to have been stolen, converted or taken by fraud

* * * * *

"[s]hall be fined not more than \$10,000 or imprisoned not more than ten years, or both."

The defendants have made two separate arguments as to why this section is inapplicable in this case; first, another section exists which should be the sole prosecutorial vehicle for interstate transportation of counterfeit recordings: section 2318 makes the interstate transportation of recordings with counterfeit or forged labels a misdemeanor;¹ second, the intangible “aggregation of sounds” comprising a recorded musical work does not constitute “goods, wares, [or] merchandise” that can be “stolen, converted, or taken by fraud”, within the meaning of § 2314, through the act of unauthorized duplication.²

In support of the first argument, defendants rely on the legislative history of § 2318, the asserted “plain meaning” of § 2314, and the application of allegedly well-settled principles of statutory interpretation to § 2314. The legislative history of § 2318, the defendants argue, reveals that the section was enacted as an alternative to amending § 2314, in response to a perceived need to provide criminal penalties for trafficking in counterfeits, an area previously covered only by civil copyright law. The legislative decision to enact an entirely new section, with only misdemeanor (amendments) penalties,³ the defendants contend, reflected recognition that trafficking in counterfeits is essentially an “unfair competition” offense and that the language of § 2314 did not adequately cover such an offense.

Totally apart from the existence of § 2318 and its legislative history, the defendants further argue that the plain meaning of § 2314 precludes its application to counterfeit recordings. The defendants point to a comparison of paragraph one of § 2314 with paragraph three. The former under which the defendants are charged, refers to items “stolen, converted, or taken by fraud”; the latter refers to “falsely made, forged, altered, or counterfeited securities or tax stamps.” This comparison, the defendants contend, shows clear legislative intent to distinguish between “stolen” and “counterfeit” items. And, of course, since the paragraph referring to counterfeits includes only securities and tax stamps, sound recordings are not within its purview. The defendants assert that it is a general principle of statutory interpretation that if Congress has employed one term in a section but has excluded it in another, the term should not be included, *see, e.g., FTC v. Sun Oil Co.*, 371 U.S. 505, 514–15, 83 S.Ct. 358, 364–365, 9 L.Ed.2d 466 (1963), making paragraph one an inappropriate prosecutorial vehicle for any counterfeit item.

Finally, the defendants argue that other generally accepted principles of interpretation of criminal statutes apply here. They contend that where a

¹ Defendants Memorandum in Support of Motion to Dismiss Counts One through Four of the Indictment at 3–4.

² *Id.* at 5–6.

³ 18 U.S.C. § 2318.

more specific statute, § 2318, might be construed to relate to the same subject matter as a general statute, § 2314, the specific statute should apply to the exclusion of the general. See *Preiser v. Rodriguez*, 411 U.S. 475, 489–90, 93 S.Ct. 1827, 1836–1837, 36 L.Ed.2d 439 (1973). And, where one statute carries less severe penalties, the principle of lenity should mandate that any ambiguity surrounding which statute applies must be resolved in favor of the less severe statute. See e. g., *Simpson v. United States*, 435 U.S. 6, 14, 98 S.Ct. 909, 9013, 55 L.Ed.2d 70 (1978); *Bell v. United States*, 349 U.S. 81, 83, 75 S.Ct. 620, 622, 99 L.Ed. 905 (1955).

We reject the defendants' first argument, largely on the basis of the points put forward by the Government in opposition. Although we consider the legislative history of § 2318 somewhat inconclusive, we conclude that sufficient other grounds exist for holding that interstate trafficking in counterfeit recordings need not be prosecuted solely under § 2318. We also reject the defendants' second argument, and we hold that the intangible "aggregation of sounds" comprising a recorded musical work constitutes "goods, wares, [or] merchandise" that can be "stolen, converted, or taken by fraud," within the meaning of § 2314, through the act of unauthorized duplication.

[2] Strictly as a matter of statutory interpretation, we find that the mere existence of three distinct criminal statutes under which the defendants could be prosecuted for their alleged conduct here, § 2314, § 2318, and the tandem copyright law provisions, 17 U.S.C. §§ 106(3), 506(a), does not create a requirement that one be used to the exclusion of the others. Examination of the respective statutes shows that each requires proof of a unique set of elements. In this case, § 2314 requires proof of the following: (1) the existence of unauthorized copies of copyrighted sound recordings, (2) having a value of \$5,000 or more, (3) transported in interstate commerce by the defendants (4) with knowledge by the defendants of the "stolen" character (i.e., the unauthorized duplication) of the sound recordings.

On the other hand, § 2318 requires proof of a different set of elements: (1) the existence of sound recordings, whether copyrighted, or not, and if copyrighted whether duplicated with authorization or not (2) to which are affixed forged or counterfeit labels (3) transported in interstate commerce by the defendants, (4) with knowledge by the defendants of the forged or counterfeit character of the labels, and (5) with fraudulent intent on the part of the defendants. And the copyright provisions, which underlie counts five through sixteen of the indictment, require proof of the following elements: (1) the existence of copyrighted sound recordings; (2) the unauthorized distribution by the defendants of the copyrighted sound recordings; (3) wilfulness on the part of the defendants; and (4) that the defendants acted "for profit." Even a cursory look at these respective sets of elements reveals important distinctions, not the least of which are the

existence of a value provision in § 2314 and not in the others, the physical and legal character of the items involved, and the state of mind of the defendants.

[3] It is well settled that overlapping statutes may be used jointly or separately, in the discretion of the prosecutor, where the statutes have distinct elements. Long ago, in considering whether two statutes were mutually exclusive for purposes of the double jeopardy clause of the Fifth Amendment, the Supreme Court stated:

“The applicable rule is that where the same act or transaction constitutes a violation of two distinct statutory provisions, the test to be applied to determine whether there are two offenses or only one, is whether each provision requires proof of a fact which the other does not. *Gavieres v. United States*, 220 U.S. 338, 342 [31 S.Ct. 421, 422, 55 L.Ed. 489] . . . ‘A single act may be an offense against two statutes; and if each statute requires proof of an additional fact which the other does not, an acquittal or conviction under either statute does not exempt the defendants from prosecution and punishment under the other.’”

Blockburger v. United States, 284 U.S. 299, 304, 52 S.Ct. 180, 182, 76 L.Ed. 306 (1932), *quoting Morey v. Commonwealth*, 108 Mass. 433 (1871); *see also Gore v. United States*, 357 U.S. 386, 78 S.Ct. 1280, 2 L.Ed.2d 1405 (1958). More recently, the Court has reiterated the above test and has explicitly stated that its “application . . . focuses on the statutory elements” of the offenses in question, and that it can be satisfied “notwithstanding a substantial overlap in the proof offered to establish the crimes” proscribed by the respective statutes. *Iannelli v. United States*, 420 U.S. 770, 785 n. 17, 95 S.Ct. 1284, 1293 n. 17, 43 L.Ed.2d 616 (1975); *see Brown v. Ohio*, 432 U.S. 161, 166, 97 S.Ct. 2221, 2225, 53 L.Ed.2d 187 (1977).

[4] As noted above, the elements required to be proven in § 2314 and § 2318 differ sufficiently to satisfy this test. And because, in our view, they differ so unambiguously we need not resort to the principle of lenity which the defendants have so vigorously urged upon us, nor must we conclude that the arguably more specific § 2318 necessarily excludes the more general § 2314.

Moreover, we need not conclude that § 2318, having been enacted later and being arguably more specific, necessarily precludes application of the more general § 2314 to the conduct alleged here. Simply because § 2318 makes explicit reference to one type of “counterfeiting” related to sound recordings, while § 2314 does not, we cannot infer a legislative intent that § 2318 was to supplant § 2314 in this area. Nothing in the legislative history of § 2318 which the defendants have cited convincingly discloses such an intent and absent a clear indication to that effect we will not presume it. “It is a cardinal principle of construction that repeals by implication are not favored. When there are two acts upon the same subject, the rule is to give effect to both if possible. . . . The intention of the

legislature to repeal 'must be clear, and manifest.' " *United States v. Borden*, 308 U.S. 188, 198-99, 60 S.Ct. 182, 188-189, 84 L.Ed. 181 (1939), quoting *Red Rock v. Henry*, 106 U.S. 596, 601-02, 1 S.Ct. 434, 438-439, 27 L.Ed. 251 (1883), (citations omitted); see also *United States v. Green*, 494 F.2d 820 (5th Cir.), cert. denied, 419 U.S. 1004, 95 S.Ct. 325, 42 L.Ed.2d 280 (1974).

Once we have determined that nothing about § 2318 or the applicable copyright provisions makes either or both of them the exclusive prosecutorial devices for the interstate shipment of counterfeit recordings—counterfeited sounds with counterfeited labels—the next question is whether anything about the language of § 2314 itself or the cases construing it precludes the application of § 2314 to such conduct. To the best of our knowledge, this is an issue of first impression; neither party has cited, nor has our independent research disclosed, any reported cases dealing directly with this precise issue. The resolution of this issue, we suspect, will have important ramifications for future prosecutions in this area. We note the Government's vigorous and repeated assertions about the serious and pervasive nature of trafficking in counterfeits within the recording industry, a practice characterized as an "insidious threat" to "an unsuspecting public." Government's Original Memorandum in Opposition, at 14.

The language of § 2314 indicates that two separate inquiries are involved here: (1) whether the aggregation of sounds taken in violation of the copyright laws, as distinct from the tangible recording tape itself on which the sounds are contained, can be said to constitute "goods, wares [or] merchandise"; and (2) if the answer to the first question is in the affirmative, whether the unauthorized duplication in violation of the copyright laws constitutes a "stealing," "converting," or a "taking by fraud." That these are the critical inquiries is evident from the Government's own statements of its case: "Under the Government's theory, it is the aggregation of sounds (taken in violation of the copyright laws), not the tangible phonorecord itself, that constitutes the stolen 'goods, wares, merchandise;' " and "[t]he . . . prosecution in the instant case is neither based upon nor directed at labels or packaging, but rather at the theft of the sounds themselves, clearly a more prized commodity." Government's Original Memorandum in Opposition, at 3, 5.⁴

[5] On their face, the words " goods, wares, merchandise" appear to have been intended to extend broadly to all types of property likely to move in commerce, with no distinction between items of a completely tangible character and items of a mixed tangible-intangible character. This implied standard of commercial mobility is reinforced by the presence of the \$5,000 value provision in the statute, a measure clearly premised on the

⁴As heretofore indicated, the Government claims that this has been its position or theory from the outset of the case and the superseding indictment does no more than clarify this.

notion that the items intended to be included can be shipped, distributed, and marketed—through the medium of interstate commerce—for the purpose of producing commercial revenue. *See* 18 U.S.C. § 2311 (defining “value” in § 2314 and related sections); *see generally United States v. Drebin*, 557 F.2d 1316, 1331–32 (9th Cir. 1977), *cert. denied*, 436 U.S. 904, 98 S.Ct. 2232, 56 L.Ed.2d 401 (1978); *Cave v. United States*, 390 F.2d 58, 67 (8th Cir. 1968), *cert. denied*, 392 U.S. 906, 88 S.Ct. 2059, 20 L.Ed.2d 1365 (1968).

Judicial construction of § 2314 has consistently focused primarily on the commercial nature of the items involved, with consideration of the tangible or intangible nature of the items a secondary concern. As one Court has stated, “[t]he terms ‘goods, wares, merchandise’ is a general and comprehensive designation of such personal property or chattels as are ordinarily a subject of commerce.” *United States v. Seagraves*, 265 F.2d 876, 880 (3d Cir. 1959). *See also United States v. Berkowitz*, 619 F.2d 649 (7th Cir. 1980); *United States v. Greenwald*, 479 F.2d 320 (6th Cir.), *cert. denied*, 414 U.S. 854, 94 S.Ct. 154, 38 L.Ed.2d 104 (1973).

We see no compelling reason why the “subject of commerce” test cannot be applied here to bring counterfeit tapes properly within the ambit of “goods, wares, merchandise” in § 2314. Counterfeit tapes are able to be moved, marketed, sold, and traded, both within the industry and between the industry and the public. The reason for this, of course, is the commercial value of the sounds contained in individual tapes. The instrumentality of commercial revenue is the entire entity—the sounds plus the medium of embodiment. The sounds and the tape are thus inseparable in a commercial-value sense; together, they form a single “subject of commerce.” Counterfeit tapes, just like legitimate recordings, are “such personal property or chattels,” *Seagraves, supra*, 265 F.2d at 880, as are intended to move through the channels of commerce and ultimately come to rest in the hands of the consuming public.

The defendants have made much of the undisputed fact that the actual tapes on which the unauthorized duplications of sounds were placed were not stolen. This fact, however, does not alter our conclusion that once tape and sounds are joined the resulting product is a single entity, and if the more important component, the sounds, can be characterized as “stolen”, a question discussed *infra*, the entire entity should be so characterized. The cases support this conclusion. For example, in *United States v. Lester*, 282 F.2d 750 (3d Cir. 1960), *cert. denied*, 364 U.S. 937, 81 S.Ct. 385, 5 L.Ed.2d 368 (1961), the Court rejected an argument that copies of stolen geophysical maps did not qualify as “goods, wares [or] merchandise,” as did the actual stolen originals, because the copies were made with physical materials legitimately owned by the defendants. Said the Court: “It is the idea, not its material embodiment, which is valuable.” *Id.* 282 F.2d at 775.

Similarly, in *United States v. Bottone*, 365 F.2d 389 (2d Cir.), (Friendly, J.), *cert. denied*, 385 U.S. 974, 87 S.Ct. 514, 17 L.Ed.2d 437 (1966), arguably the case most similar to the instant case, the Court upheld a conviction under § 2314 for the interstate transportation of copies of trade secrets, even though the defendants had made the copies with their own materials. Judge Friendly wrote that “when the physical form of the stolen goods is secondary in every respect to the matter recorded in them, the transformation of the information in the [originals owned by the owners of the trade secrets] into a tangible object never possessed by the original owner should be deemed immaterial.” *Id.*, 365 F.2d at 393–94. Indeed, the Court lent considerable support to the proposition that when an item derives its value from intangible concepts or intellectual property—whether copyrighted or not—contained within it, no theft of the original tangible medium need occur at all; only the intangible component need be taken, and once it is transferred to a physical medium, albeit one legitimately owned by the taker, it becomes a distinct “good,” “ware,” or item of “merchandise” within the meaning of § 2314.

The Courts of Appeals for the Ninth, District of Columbia, and Seventh Circuits have implicitly accepted this proposition in the context of unauthorized duplication of copyrighted works. In both *United States v. Atherton*, 561 F.2d 747 (9th Cir. 1977), and *United States v. Drebin*, 557 F.2d 1316 (9th Cir. 1977), *cert. denied*, 436 U.S. 904, 98 S.Ct. 2232, 56 L.Ed.2d 401 (1978), the Court upheld convictions under § 2314 where the defendants had transported unauthorized duplicates of copyrighted motion pictures. Although the cases are distinguishable in that the evidence at trial showed that the originals themselves had been stolen first and then used to make copies, it is clear that the court on both occasions concluded that a copy of the original—whether it had been stolen or not—is just as much a “good” as the original because of the intangible nature of the copyrighted property. The *Drebin* court stated flatly: “Copies are considered goods or merchandise for purposes of [§ 2314], *United States v. Seagraves*, [supra], *Drebin*, supra, 557 F.2d at 1332. And in *Atherton*, supra, while the Court reversed the defendant’s conviction under § 2314 because the Government failed to show that the \$5,000 value limitation had been satisfied, it went on to note:

“Atherton’s conviction for transporting a print . . . [in] violation of 18 U.S.C. § 2314 raises some interesting, almost metaphysical, legal issues. The most intriguing question is whether the intangible idea protected by the copyright is sufficiently reified by being embodied on a film that the copyright becomes ‘goods, wares, or merchandise’ within the meaning of Section 2314. That question has been resolved against Atherton in *United States v. Drebin*. . . .”

Atherton, supra, 561 F.2d at 752. Underlying the statements in both these cases was the belief that any copy, whether authorized or not, brings a

copyrighted work “to life”—in the commercial sense as well as the artistic. Thus, all copies should be treated as “goods” for the same reason the original embodiment is. If a copyrighted original is stolen and transported across State lines, it is prosecutable under § 2314; the same conduct with unauthorized copies should be so as well, by this reasoning.

United States v. Whetzel, 589 F.2d 707 (D.C.Cir.1978), also appears to support the Government’s theory of prosecution here, at least indirectly. The Court reversed a § 2314 conviction for transportation of unauthorized duplicates of copyrighted sound recordings, but solely on the ground that the \$5,000 value threshold had not been established, as in *Atherton, supra*. Had it not been for the value issue, the Court would have had little difficulty with the issue presented here:

“We do not doubt that criminal copyright infringement may be the underlying crime in a § 2314 violation. See *United States v. Atherton [supra]* . . . [and] *United States v. Drebin [supra]*”

Whetzel, supra, 589 F.2d at 710 n. 10. The statement is dictum, to be sure, but it represents the categorical conclusion of at least one Court which has had the occasion to consider the question, however indirectly.

The most recent case is *United States v. Berkowitz*, 619 F.2d 649 (7th Cir. 1980), in which the Court affirmed convictions under § 2314 and the applicable copyright laws for the “manufacture and interstate distribution of counterfeit tapes.” *Id.*, at 658. The Court stated:

“The decision of which market valuation method to use in this case is complicated by the fact that most prior cases have involved the interstate transportation of stolen property that was tangible. *In the present case, on the other hand, the physical objects transported were tapes which the appellants had legally acquired, and the stolen materials were the sound waves which had been transferred to the tapes.* There, the valuation methods used in the more traditional ‘garden variety’ § 2314 prosecutions are not necessarily applicable here, and vice versa.”

Id. at 657 (emphasis added).

On the basis of the foregoing, we are satisfied that the first inquiry arising from the language of § 2314 can be answered in the affirmative in this case: unauthorized duplicates of copyrighted sound recordings are “goods, wares, [or] merchandise” as those terms have been construed and are commonly understood.

[6] The second inquiry, whether these “goods” are capable of being “stolen, converted or taken by fraud,” presents slightly less difficulty, and can also be answered affirmatively. The above-quoted statements of the courts in *Whetzel, supra*, and *Berkowitz, supra*, of course, demonstrate implicit acceptance of this proposition as a natural consequence of the assumption that unauthorized duplicates of copyrighted works are “goods.” The court in *Drebin, supra*, was more emphatic: “Moreover,

illicit copying of a copyrighted work is no less a 'theft, conversion, or taking by fraud' than if the original were so taken. *See United States v. Botone* [supra].” *Drebin, supra*, 557 F.2d at 1332.

Even without these few cases dealing most closely with the situation in the instant case, we are persuaded that the terms “stolen, converted or taken by fraud” were intended to broadly cover all forms of wrongful taking. “The decisions were numerous that the words ‘stolen’ and ‘converted’ cover a broad range of wrongful acts.” *United States v. Plott*, 345 F.Supp. 1229, 1231 (S.D.N.Y.1972). For example, the Supreme Court some time ago said the following about the proper scope of conversion:

“Conversion . . . may be consummated without any intent to keep and without any wrongful taking, where the initial possession by the converter was entirely lawful. Conversion may include misuse or abuse of property. It may reach use in an unauthorized manner or to an unauthorized extent of property placed in one’s custody for a limited use.”

Morissette v. United States, 342 U.S. 246, 271–72, 72 S.Ct. 240, 254, 96 L.Ed. 288 (1951). Even earlier, the Court of Appeals for this Circuit has commented on the intended breadth of all the pertinent terms:

“We think it clear that the National Stolen Property Act [the forerunner of the current § 2314], which then read ‘stolen, feloniously converted, or taken feloniously by fraud or with intent to steal or purloin.’] was not restricted to the transportation of property taken larcenously. . . . In our opinion the statute is applicable to any taking whereby a person dishonestly obtains goods . . . belonging to another with the intent to deprive the owner of the rights and benefits of ownership.”

United States v. Handler, 142 F.2d 351, 353 (2d Cir. 1944).

More recently, the Fifth Circuit Court of Appeals took a similarly broad view of “stolen”, finding that the term embraces embezzled property. The Court noted that all three terms, “stolen,” “converted,” and “taken by fraud”, must be interpreted to effectuate the legislative purpose of § 2314:

“The aim of the statute is, of course, to prohibit the use of interstate transportation facilities for goods having certain unlawful qualities. This reflects a congressional purpose to reach all ways by which an owner is wrongfully deprived of the use or benefits of the use of his property. . . . Congress by the use of broad terms was trying to make clear that if a person was deprived of his property by unlawful means amounting to a forcible taking or a taking without his permission, by false pretense, by fraud, swindling, or by a conversion by one rightfully in possession, the subsequent transportation of such goods in interstate commerce was prohibited as a crime.”

Lyda v. United States, 279 F.2d 461, 464 (5th Cir. 1969). The apparent Congressional purpose has even allowed the use of the terms to extend to a conviction under § 2314 where the underlying offense was the “poaching”

of alligators in violation of Georgian law. *United States v. Plott, supra*, 345 F.Supp. 1229 (S.D.N.Y.1972).

In sum, the courts seem uniformly to have adopted the view that “the issue as to whether the goods were obtained by one of the unlawful methods of acquisition referred to in the statute is not to be decided upon the basis of technical common law definitions,” *Bergman v. United States*, 253 F.2d 933, 935 (6th Cir. 1958), but rather on a broad common-sense basis encompassing all forms of wrongfully depriving an owner of the possession or use of his property. In our view, criminal copyright infringement in the form of making unauthorized duplication of copyrighted musical works easily qualifies as a stealing, converting, or taking by fraud under this approach. Such conduct most closely resembles traditional conversion, in that it involves the unauthorized appropriation of property belonging to another party after the property had been lawfully given to the infringer for a limited use, and the requisite intent on the part of the infringer to put the property to his own use and for his own benefit. But we need not limit it to conversion, and find that such conduct qualifies equally as a stealing or a taking by fraud, as the above case law has construed those terms. Criminal copyright infringement is a form of wrongful taking, and the cases have required no more specificity than that.

We conclude, therefore, that the language of § 2314 and the reported cases allow the characterization of the act of duplicating copyrighted aggregations of sounds without authorization as a stealing, converting, or taking by fraud of goods, wares, and merchandise. Consequently, violations of § 2314 are properly alleged in the indictment and we are compelled to deny the defendants’ motion to dismiss counts 1 through 4 on this basis.

B

The RICO Count

[7] Defendants also contend that the first count of the indictment, which alleges a violation of the Racketeer Influenced and Corrupt Organizations Act (RICO”), 18 U.S.C. § 1962(c), should be dismissed because RICO was designed to deal only with the infiltration of organized crime into legitimate business. The Government, for its part, argues that the scope of RICO is not so limited.

Defendants have been charged with violations of 18 U.S.C § 2314. As specifically outlined in 18 U.S.C. § 1961, such violation may be the basis for a “RICO” prosecution. To argue, as defendants do, that they cannot be subject to such a prosecution because they are not members of organized crime is patently without merit. Granting that the primary aim of the Act is to inhibit the infiltration of organized crime into legitimate business enterprises, it has long been recognized that this is not the sole

aim of RICO. As the Ninth Circuit Court of Appeals wrote "The words of the statute are general. They contain no restriction to particular persons." *United States v. Campanale*, 518 F.2d 352, 364 (9th Cir. 1975). Furthermore, our own Circuit had indicated, in explicating the statute, that the words of the Act do not so limit the types of organizations or persons subject to a RICO prosecution: "Title IX in its entirety says in clear, precise and unambiguous language—the use of the word 'any'—that all enterprises that are conducted through a pattern of racketeering activity . . . fall within the interdiction of the Act." *United States v. Altese*, 542 F.2d 104, 106 (2d Cir. 1976), *cert. denied*, 429 U.S. 1039, 97 S.Ct. 736, 50 L.Ed.2d 750 (1977). See also *United States v. Huber*, 603 F.2d 387, 394 (2d Cir. 1979), (*cert. denied*, 445 U.S. 927, 100 S.Ct. 1312, 63 L.Ed.2d 459 (1980) (Act "shall be literally construed to effectuate its remedial purposes.") Consequently, we cannot agree with defendants on this point and hold that they are proper subjects of a RICO prosecution.

III

Prosecutorial Misconduct

The defendants have also moved for dismissal of the entire indictment on the ground of prosecutorial misconduct. Their two principal contentions in this regard are that (1) the "sting" operation conducted by the FBI, which gathered early and critical evidence in this and related prosecutions,⁵ was an improper exercise of law enforcement authority which so tainted all that followed that the indictment must be dismissed as a matter of fairness; and (2) the Government acted improperly in surreptitiously obtaining and recording a statement by defendant Stolon to an undercover informant prior to Stolon's indictment. The defendants have also sought a hearing on these allegations—and others which they argue further demonstrate a pattern of governmental impropriety⁶—in the hope that this Court would be persuaded that dismissal of the instant indictment is a necessary sanction to deter similar improper prosecutorial conduct in the future.

[8] We deny the defendants' request for a hearing and disagree with their contention that all their allegations, even if proven, would necessitate dismissal of the indictment. Simply stated, we do not subscribe to the theory that any and all types of prosecutorial impropriety—again, assuming the same to be proven—are to be rectified by dismissal of the affected indictment. Dismissal is a drastic sanction, to be applied only when the interests of an ordered society clearly require it and when no narrower

⁵See, e.g., *United States v. Tucker*, 495 F.Supp. 607 (E.D.N.Y.1980).

⁶Defendants Memorandum in Support of Motion to Dismiss Indictment for Prosecutorial Misconduct at 1-4.

means exist to protect defendants from informers and to discourage questionable governmental practices in the future. *See United States v. Broward*, 594 F.2d 345 (2d Cir.), *cert. denied*, 442 U.S. 941, 99 S.Ct. 2882, 61 L.Ed.2d 310 (1979); *United States v. Brown*, 602 F.2d 1073 (2d.Cir.), *cert. denied*, 444 U.S. 952, 100 S.Ct. 427, 62 L.Ed.2d 323 (1979); *United States v. Fields*, 592 F.2d 638 (2d Cir. 1978), *cert. denied*, 442 U.S. 917, 99 S.Ct. 2838, 61 L.Ed.2d 284 (1979). The best example of this principle, of course, is the operation of the exclusionary rule, which mandates the inadmissibility of evidence garnered as a result of violations of a defendant's Fourth, Fifth, or Sixth Amendment rights. The exclusion of tainted evidence—not outright dismissal of the indictment—has long been held to be the appropriate protective and prophylactic mechanism. This considered judgment balances the interests of society against those of defendants entitled to procedural fairness, and achieves the best accommodation of the two. *See Stone v. Powell*, 428 U.S. 465, 96 S.Ct. 3037, 49 L.Ed.2d 1067 (1975); *United States v. Janis*, 428 U.S. 433, 96 S.Ct. 3021, 49 L.Ed.2d 1046 (1975); *United States v. Hunter*, 550 F.2d 1066 (6th Cir. 1977).

In the instant case, where the defendants have alleged no specific prejudice accruing to them from either of their above-mentioned major contentions, dismissal of the indictment would be particularly inappropriate. Even if specific prejudice had been alleged, we presently see no basis for applying even the less drastic sanction of suppression of any of the evidence gained by the Government through either the “sting” operation or the surreptitious recording of Stolon's statements. Nonetheless, we make the following brief observations about the two major allegations of the defendants, noting that adequate bases exist for disposing of both of them as a matter of law.

[9] The FBI established and maintained a retail record store in Westbury, Long Island, named “Modular Sounds”, to serve as a front for undercover operations directed against suspected criminal activity in the music recording industry. The specific purpose of the undercover business, as the Government describes it, was “to combat the large-scale and illegal manufacture, interstate transportation and retailing of counterfeit and printed sound recordings, some of the proceeds of which were invested in other illegal enterprises.” Government's Memorandum in Opposition to Defendants' Motion to Dismiss the Indictment for Prosecutorial Misconduct, at 4. In an earlier opinion in a related case, this Court had occasion to consider this operation and intimated that it was a proper exercise of investigative activity. *United States v. Tucker*, 481 F.Supp. 182, 191 (E.D.N.Y.1979) (Platt, J.). We now expand on that intimation and state that the “Modular Sounds” operation was a permissible means of investigating reasonably suspected criminal activity. Absent entrapment, “sting” operations of this kind do not exceed recognized bounds

of investigative discretion. See *United States v. Brooks*, 567 F.2d 134 (D.C. Cir.1977).

Inasmuch as the defendants have not alleged entrapment—indeed, the defendants have failed to demonstrate that the Government’s involvement in “Modular Sounds” led inexorably to the instant indictment—it is unnecessary for us to consider the cases they proffer in support of their argument that the Government itself was overly involved in the alleged crimes. See *United States v. Russell*, 411 U.S. 423, 93 S.Ct. 1637, 36 L.Ed.2d 366 (1973) (entrapment defense *not* available where Government agent merely supplied defendant with essential ingredient in manufacture of illegal drug); *United States v. Twigg*, 588 F.2d 373 (3d Cir. 1978) (convictions reversed when illegal manufacture of controlled substances was *suggested* and *arranged* by Government agents); *United States v. Archer*, 486 F.2d 670 (2d Cir. 1973) (convictions under Travel Act, 18 U.S.C. § 1952, reversed when Government agents themselves supplied necessary interstate element). These cases all involved allegations of direct Government creation of the crimes alleged in the respective indictments, and entrapment. None of these situations, of course, obtain here for the “Modular Sounds” operation did not instigate, suggest or arrange the purported criminal activity nor did it supply a necessary element of the crime. Rather, the “sting” operation merely provided an outlet for the already stolen sound recordings.

[10] The propriety of the surreptitious recording of the Stolon statement by a confidential informant equipped with a concealed body recorder can similarly be established briefly. We note that the defendants do not seek to suppress the statement, raising the inference that it was at least partially exculpatory, but rather point to its acquisition as “yet another example of the prosecution’s unbridled zeal and insensitivity to the defendants’ rights to due process.” Defendants’ Memorandum of Law in Support of Motion to Dismiss Indictment for Prosecutorial Misconduct, at 27. More specifically, defendants assert that the statement was obtained in violation of Stolon’s Sixth Amendment right to counsel and that this case is “constitutionally indistinguishable” from *Massiah v. United States*, 377 U.S. 201, 84 S.Ct. 1199, 12 L.Ed.2d 246 (1964). Defendant’s Memorandum, at 25.

The defendants miss the point. This case is indisputably *factually* distinguishable from *Massiah*, *supra*, in one critical respect. In reversing the conviction of a defendant from whom inculpatory statements had been deliberately and surreptitiously elicited by an agent of the Government after the defendant’s arrest and indictment, the Court in *Massiah* expressly predicated its decision on the conclusion that the statements had been made at a “critical stage” of the prosecution, thereby triggering the defendant’s right to counsel, because they had been made after indictment. 377 U.S. at 205–6, 84 S.Ct. at 1202–1203. In the instant case, it is uncontroverted that

adversary prosecutorial proceedings had not yet commenced against Stolon or the other defendants at the time Stolon's statement was elicited and recorded; the indictment was returned a full months after Stolon's statement was made and he has never been formally arrested. In short, Stolon's uncounseled statement did not occur at a "critical stage" of the prosecution, the benchmark for the Sixth Amendment's right to counsel. See *Brewer v. Williams*, 430 U.S. 387, 97 S.Ct. 1232, 51 L.Ed.2d 424 (1977). It is thus immaterial that the Government knew at the time that Stolon had an attorney and that the attorney had previously been advised that Stolon was a target of a grand jury investigation.

The Supreme Court and the Court of Appeals for this Circuit have both recently reaffirmed that indictment—or arrest, if it occurs prior to indictment—is the critical moment after which the strictures of *Massiah*, *supra*, and its progeny apply. In *United States v. Henry*, ____ U.S. ____, 100 S.Ct. 2183, 65 L.Ed.2d 115 (1980), the Court upheld the reversal of the defendant's conviction on Sixth Amendment grounds where the prosecution had "intentionally creat[ed] a situation likely to induce Henry to make incriminating statements without the assistance of counsel." *Id.* at ____, 100 S.Ct. at 2189. Critical to the Court's holding was its characterization of the setting for the statements as "post-indictment confrontations between government agents and the accused"; the third of three "important factors" was that "Henry was in custody and under indictment at the time he was engaged in conversation by [the Government informant]." *Id.* at ____, 100 S.Ct. at 2186. In view of the fact that Stolon was neither under indictment nor in custody at the time he made his statements to the Government informant, we are not able to conclude that defendants have "show[n] that the government engaged in conduct that, considering all the circumstances, [was] the functional equivalent of interrogaton," so as to trigger Stolon's right to counsel. *Id.* at ____, 100 S.Ct. at 2190 (Powell, J., concurring). See *Rhode Island v. Innis*, 446 U.S. 291, 100 S.Ct. 1682, 64 L.Ed.2d 297 (1980).

Similarly, in *United States v. Mohabir*, 624 F.2d 1140 (2d Cir. 1980), the Court of Appeals severely circumscribed the ability of the prosecutors themselves to question indicted defendants prior to their arraignments, but took great care to "underscore[] the difference between questioning a defendant before and after indictment." *Id.* at 1148; see *Carvey v. LeFevre*, 611 F.2d 19 (2d Cir. 1979). Echoing the critical distinction noted by the Supreme Court in *Massiah*, *supra*, through *Henry*, *supra*, the Court stated: "Once criminal proceedings have been formally instituted against a defendant—as they were here by the filing of the indictment—the need for counsel is particularly acute." *United States v. Mohabir*, *supra*, at 1148. The Court concluded that "[t]he indictment thus marks a crucial point for the defendant; it also marks the point after which any questioning of the defendant by the government can only be 'for the purpose of

buttressing . . . a *prima facie* case.’” *Id.* at 1148, quoting *People v. Settles*, 46 N.Y.2d 154, 163, 412 N.Y.S.2d 874, 385 N.E.2d 612 (1978). In this case, we reiterate, defendant Stolon had not yet reached this “crucial point” when confronted by the Government informant wearing a concealed recording device.

In light of the above, we conclude that the government did not violate Stolon’s right to counsel guaranteed by the Sixth Amendment and thereby did not commit any misconduct calling for the imposition of sanctions by this Court, in the form of dismissal of the indictment or otherwise.

IV

Defendants had also filed a motion alleging that the government was misusing the grand jury as a discovery device to obtain further evidence against them instead of using it to investigate other criminal activity. This issue was fully briefed by all parties in June of last year and after reading the briefs and all the grand jury testimony we indicated, from the bench, that there was no reason, at that time, to believe that such abuse was taking place. We did, however, order the government to continue to produce relevant grand jury transcripts so we could monitor the situation. We have been informed that there have been no further relevant grand jury proceedings and consequently can now rule that there was no such misuse of the grand jury process and deny all of the defendants’ motions relating to this issue.

V

In summary:

(1) Defendants’ motion to dismiss counts 1 through 4 of the indictment on the ground of legal insufficiency is hereby DENIED:

(2) Defendants’ motion to dismiss the entire indictment on the ground of prosecutorial misconduct is also hereby DENIED: and

(3) Defendants’ motion to suppress testimony and evidence obtained by the government’s alleged misuse of the grand jury is also hereby DENIED.

SO ORDERED.

UNITED STATES of America v. SAM GOODY, INC., George Levy, and Samuel Stolon, Defendants

Nos. CR 80-507, XCR 80-95

(United States District Court, E. D. New York—July 27, 1981)

518 F.Supp. 1223

[See also 506 F.Supp. 380, 210 USPQ 318, and *supra* (E.D.N.Y., Jan. 8, 1981); 675 F.2d 17, 46 C.O.Bull. 1273(2d Cir.—*Appeal dismissed; writ denied*, Mar. 15, 1982)]

Defendants were convicted of interstate transportation of stolen property and criminal copyright violations, and acquitted of RICO charges, and they moved for new trial. The District Court, Platt, J., held that taint of the RICO count, taken together with prosecution's use of false testimony and failure of proof on other unsustained counts required retrial.

Ordered accordingly.

1. Receiving Stolen Goods

Trial court's charge which echoed the statute governing copyright validity and stated that the evidentiary weight to be accorded the certificate was within the discretion of the fact finder did not erroneously tell the jury that the registration certificates were conclusive evidence of the validity of copyrights which were at issue in the prosecution for interstate transportation of counterfeit recordings. 18 U.S.C.A. § 2318.

2. Receiving Stolen Goods

Copyright certificate introduced in defendants' trial for interstate transportation of counterfeit recordings was prima facie evidence of copyright validity. 18 U.S.C.A. § 2318.

3. Criminal Law

Although it may not have been unconstitutional or illegal, it was unethical for government to "wire" an informant and send him to one of the defendant's offices in an attempt to elicit incriminating statements after that defendant's attorney had presented himself to the prosecutor and told the prosecutor to deal with the client only through the attorney.

4. Criminal Law

The taint of the count charging defendant with RICO violations, taken together with prosecutor's use of false testimony and failure of proof on a number of unsustained counts caused defendant such substantial prejudice as to require retrial of charges of interstate transportation of stolen property and criminal copyright violations. 18 U.S.C.A. §§ 1961, 2314, 2318.

5. Criminal Law

Prosecutor had a duty, upon learning of false testimony given by government agent, to correct that testimony promptly and to put the truth before the jury.

E. R. Korman, U.S. Atty., E.D.N.Y. by John Jacobs, Sp. Asst. U.S. Atty., Brooklyn, N.Y., for plaintiff.

Dewey, Ballantine, Bushby, Palmer & Wood by Kenneth H. Holmes, New York City, for Sam Goody, Inc.

Gold, Farrell & Marks by Martin Gold, New York City, for Stolon.

MEMORANDUM AND ORDER

PLATT, *District Judge*. This case, involving a sixteen-count indictment charging defendants with violations of 18 U.S.C. § 1961 ("RICO"), 18 U.S.C. § 2314 (interstate transportation of stolen property), and 18 U.S.C. § 2318 (criminal copyright violations),¹ was tried to a jury during the month of March and the first few days of April. At the conclusion of the government's case and upon motion by defense counsel, the Court entered a judgment of acquittal on Indictment Count Nos. 1, 9, 12, 13, 14, 15 and 16 against Sam Goody, Inc. ("the Corporation") on Indictment Count Nos. 9, 12, 13, 14, 15, and 16 against Samuel Stolon and on all counts in the Indictment against George Levy, the prosecutor conceding on the oral argument of defendant Levy's motion that the government's evidence against him was insufficient.

At the conclusion of the entire case the Corporation and Samuel Stolon moved to dismiss the remaining counts against them and their motions were denied.

After deliberating for five and one-half days the jury returned a verdict against the Corporation on Indictment Count Nos. 3, 4, 6, 7 and 8 and against Samuel Stolon on Indictment Count Nos. 4 and 6 and acquitted both defendants on all of the remaining Counts against them. Defendants are now moving, pursuant to Rule 29 of the Federal Rules of Criminal Procedure, for judgments of acquittal or, alternatively, pursuant to Rule 33 of the Federal Rules of Criminal Procedure, for a new trial.

[1, 2] In passing upon defendants' motions to set aside the verdict, we must consider all of the evidence in the light most favorable to the government and can only overturn a guilty verdict if no reasonable mind could fairly find guilt beyond a reasonable doubt. See *United States v. Artuso*, 618 F.2d 192 (2d Cir. 1979), *cert. denied*, ____ U.S. ____, 101 S.Ct. 164, 66 L.Ed.2d 77 (1980). Under that standard of review we think the evidence, viewed in each instance in its entirety, is sufficient to sustain the findings (i) that the defendants knew the tapes and cassettes were counterfeit, (ii) that the tapes and cassettes were shipped by the defendants in interstate commerce, (iii) that the value of the sound recordings so shipped exceeded the requisite amounts, and (iv) that the copyrights in

¹These statutes and other matters were the subject of an earlier opinion of this Court, *United States v. Sam Goody, Inc.*, 506 F.Supp. 380 (E.D.N.Y.1981), familiarity with which is assumed here.

question were valid.² Consequently, we must deny defendants' motions for acquittal.

[3] Defendants' motion for a new trial, "to further the interests of justice," however, presents entirely different matters for our consideration.³ It is this Court's belief that defendants are entitled to a new trial, first, "because of the distinct risk that the jury was influenced in its disposition of this [case] . . . by the allegations of the RICO count," *United States v. Guiliano*, 644 F.2d 85, 88 (2d Cir. 1981); second, because of the false testimony of the Government agent and the prosecutor's failure to correct this false testimony prior to the conclusion of the Government's case even though the Court furnished to the prosecutor

²The defendants argue that our charge to the jury concerning copyright validity was erroneous in that it "in effect . . . charged that . . . the registration certificates in this case were conclusive evidence of the validity of the copyrights." *Defendants' Memorandum In Support of Motion for Post Trial Relief* at 21. The defense ignores, however, the language of our charge which echoed the statute governing copyright validity and then stated that "the evidentiary weight to be accorded the certificate . . . shall be within the discretion of the fact finder." The defendants further argue that the validity of the copyright cannot be proven by the certificate itself and that the Court's charge impermissibly shifted the burden to them to rebut the copyrights' validity. Given our instruction to the jury, we do not think this argument to be a sound one. We charged the jury that the certificate was *prima facie* evidence of copyright validity but that they, the fact finders, could do with that evidence what they wished.

Although we do not believe the jury could have been misled by our charge into thinking that any burden was shifted to the defendants, on the retrial required for reasons stated herein, it may be advisable, in an excess of caution, specifically to instruct the new jury that no shifting of burden occurs by reason of the statutory language and to reiterate that while the certificate constitutes some evidence of validity, it is for the jury to determine what, if any, weight is to be accorded the same. For a recent discussion of the difference between shifting burdens and permissible inferences, *see generally*, Schmolesky, *County Court of Ulster County v. Allen*, and *Sandstrom v. Montana: The Supreme Court Lends an Ear but Turns its Face*, 33 Rutgers L.Rev. 261, 304-308 (1981).

³At various times prior to and during the trial itself, the defendants made motions for relief on the ground of prosecutorial misconduct. While we predicate our decision to grant a new trial only on the grounds indicated in the text, we were deeply disturbed by various things done and not done by the government in this case prior to and even during trial. For example, while it may not, in itself, be unconstitutional or illegal (*see United States v. Sam Goody, Inc.*, 506 F.Supp. at 393-94), we believe that it was unethical for the government to "wire" an informant and send him to one of the defendants' offices in an attempt to elicit incriminating statements *after* that defendant's attorney had presented himself to the prosecutor and told him to deal with his client only through him (the attorney). *See Code of Professional Responsibility*, DR 7-104. Moreover, we are also troubled by the prosecution's concession at the conclusion of the government's case that the evidence against Mr. Levy was insufficient. In good conscience it seems to us that concession was, to put it mildly, belatedly made. Other actions taken by the prosecution such as minimizing their association with the RIAA in the pursuit of this case, the continuation of the grand jury investigation after the indictment was returned, and its inconsistent positions with respect to the "related case" nature of the case against George Tucker on the one hand and the unrelated nature of the case against Frank Carroll, were and are also very troublesome.

authority in this Circuit requiring the Government to do so, *see Giglio v. United States*, 405 U.S. 150, 92 S.Ct. 763, 31 L.Ed.2d 104 (1972); *United States ex rel. Washington v. Vincent*, 525 F.2d 262 (2d Cir. 1975), *cert. denied*, 424 U.S. 934, 96 S.Ct. 1147, 47 L.Ed.2d 341 (1976),⁴ and third, because of the possible cumulative adverse affect that the various unproven charges may have had upon the jurors' deliberations.

The risk that all these conditions may have tainted the jury's deliberations requires this Court, pursuant to Rule 33, to exercise its discretion to order a new trial in the interests of justice. *See United States v. Weinstein*, 452 F.2d 704 (2d Cir. 1971), *cert. denied sub nom. Grunberger v. United States*, 406 U.S. 917, 92 S.Ct. 1766, 32 L.Ed.2d 116 (1972). *Cf. United States v. Perez*, 565 F.2d 1227 (2d Cir. 1977).

[4] The Second Circuit has already expressed its concern about the government's use of a RICO count which it is not able to sustain. *See United States v. Guilano, supra*, 644 F.2d at 89. Granting that the facts of the instant case are much different from the *Guilano* facts, we nevertheless remain concerned about the effect of the RICO charge, particularly the "racketeering" implications contained therein, upon the jury's deliberations. While we did hold, in our earlier opinion on the matter, that defendants could properly be subject to a RICO charge, we did not, at that time, have all the evidence in the case before us. Having heard and seen the evidence and having expressed our doubts about the proof along the way, we are now in a position to consider the effect that the RICO charge may have had upon the jury and believe that there *may* well have been some prejudicial impact particularly when the jury came to consider the slim (albeit sufficient) circumstantial evidence produced on the issues of shipments in interstate commerce,⁵ knowledge and copyright validity. *Id.* at 1768-69. Therefore, while in a normal case we might not order a new trial on this

⁴This Court called the Government's attention to the *Washington* case at the time that the FBI agent recanted his false testimony outside of the presence of the jury. Despite repeated admonitions to the prosecutor to correct this testimony, he failed to do so prior to resting the Government's case. It was only because the Court advised the prosecutor at that juncture that the Court would grant a new trial to the defendants on this ground that the prosecutor moved to reopen the case and made an effort to correct the concededly false statements given by the government's agent.

FBI Agent Ferri's testimony concerned the destruction of notes taken in connection with his interviews of key government witnesses and was unquestionably relevant and material. *See United States v. Bufalino*, 576 F.2d 446 (2d Cir.), *cert. denied*, 439 U.S. 928, 99 S.Ct. 314, 58 L.Ed.2d 321 (1978).

⁵The Government contends that defense counsel for the Corporation conceded that the counterfeit tapes were shipped in interstate commerce and directs this Court's attention to defense counsel's opening remarks when he stated that the tapes bought from the counterfeiters were shipped to Minneapolis (Tr. at 583-584). This Court take no position on whether this statement could be considered a formal concession but we do note that defense counsel's statements to the jury could be construed by that body to be a concession and, as such, it could have played a part in their consideration of the facts of the case.

ground alone, the totality of the circumstances constrain us to consider important the prejudice engendered by the unsustained RICO count. Thus, the “taint” of the RICO count, to wit, “tarring the defendant with the label of ‘racketeer’”, *id.*, taken together with the prosecution’s use of false testimony and the failure of proof on the other unsustained counts caused defendants to suffer such substantial prejudice that a retrial is required. *See id.*; *see also, United States v. Armocida*, 515 F.2d 29 (3d Cir. 1975).

[5] In this connection, under the relevant case law the prosecutor had a duty, upon learning of the false testimony given by the Government agent, to correct the same promptly and put the truth before the jury. In this case, the government failed to give the jury the proper version and apparently had no intention of doing so, even though the Court furnished the prosecutor with the law on the subject, for it rested its case, despite our admonitions, without making any effort to get the truth to the jury. Only after the Court, in effect, directed the government to do so did it correct the false testimony. By that time, many days after the false testimony had been given, much, if not all, of the significance of the falsity of the testimony may well have escaped the jury. Moreover, but for the intervention of the Court in the presentation of the case, the government’s error and misconduct would never have been corrected and the defendants would unquestionably have been entitled to a new trial. In the normal case, such failure on the part of the government to correct promptly the false testimony and such limited intervention on the part of the Court might not warrant the relief sought herein. However, as indicated, this was not a normal case; the false testimony sat before the jury for a long period of time and there is a strong possibility that it influenced their consideration of the rest of the evidence. *Cf. United States v. Antone*, 603 F.2d 566 (5th Cir. 1979). In addition, this was not the first but the second time that the Court was put in the position of having to correct errors of the government. *See United States v. Sam Goody, Inc.*, 506 F.Supp. 380, at p. 384 (E.D.N.Y.1981).

Under these circumstances, in this Court’s view, the defendants are entitled to a new trial without the stigma of the RICO charges and without the government’s attempted coverup of the false statements given by its agents. We also note, though we have not deemed it worthy of much discussion, that the retrial will be free from the prejudice of the many unproven charges levelled against the defendants, which charges might also have had a cumulative adverse effect on the merits of the case against them in the minds of the jury. We do not grant this motion lightly; this case took one month to try and we hesitate to burden further the judicial resources of this District. Nevertheless, we believe there was substantial prejudice suffered by the defendants here as a result of the factors enumerated above and must, in the interests of justice, order a new trial.

Accordingly, we DENY defendants' motions to dismiss but GRANT their motion for a new trial on the remaining counts of the indictment.
SO ORDERED.

**UNIVERSAL CITY STUDIOS, INC. v. AMERICAN INVSCO
MANAGEMENT, INC., et al.**

No. 80 C 1241

*(United States District Court, N. D. Illinois, E. Div. — Decided May 26,
1981)*

217 USPQ 1076

Action by Universal City Studios, Inc., against American InvSCO Management, Inc., Cal.-Cap-Ra, Inc., Anthony Calabrese, Jr., Brian Carlson, and Pavilion Limited Partnership, for copyright infringement, conspiracy to infringe copyright, unfair competition, trespass to chattels, and specific delivery of wrongfully obtained property. On defendants' motion for summary judgment on all counts of complaint. Motion granted in part and denied in part.

COPYRIGHTS

1. Infringement — In general

One who, with knowledge of infringing activity, induces, causes or materially contributes to infringing conduct of another may be held liable as contributory infringer.

2. Infringement — In general

No distinction exists between misfeasance and nonfeasance for contributory infringement purposes; fact that defendants had no active role in infringing conduct will not relieve them of liability for contributory infringement.

3. Infringement — In general

Rule recognizing contributory infringement of copyright was developed by analogy to law of torts, since infringement constitutes tort, common law concepts of tort liability are relevant in fixing scope of statutory copyright remedy, and basic common law doctrine that one who knowingly participates in or furthers tortious act is jointly and severally liable with prime tortfeasor is applicable in suits arising under Copyright Act.

4. Infringement — In general

Elements of cause of action for vicarious copyright infringement are that vicarious infringer must be in position to control unlawful activity of direct infringer, and vicarious infringer must be in position to benefit economically from infringement.

5. Infringement—In general

Common law tort standards for conspiracy are used to determine whether claim for conspiracy to infringe is established.

TRADEMARKS

6. Statutes and treaties

15 USC 1126 is intended to protect foreign nationals against certain forms of unfair competition by American nationals, and to give American nationals reciprocal rights against foreign nationals; provision does not create right of action between American citizens.

Gary S. Phillips, Robert J. Zaideman, James P. Chapman, and Chapman & Royce, all of Chicago, Ill., for plaintiff.

Elaine E. Bucklo, Jean L. Findorff, and Coin, Crowley & Nord, all of Chicago, Ill., and John R. Fielding, and A. T. Walsh, for defendants.

DECKER, *District Judge*. On March 7, 1980, plaintiff released for Chicago distribution a feature film entitled "Coalminer's Daughter". On March 11 a copy of the film was shown at the Pavilion Lounge, a restaurant and bar which serves as a club for the residents of a housing complex known as Pavilion Apartments. The March 11 showing of Coalminer's Daughter was viewed by some of these residents and two agents of plaintiff. After this viewing, plaintiff secured an ex parte order from the Seventh Circuit enjoining a second showing of the picture which was scheduled for the next day. The complaint alleges that the March 11 showing infringed plaintiff's copyright on the motion picture photoplay, that the March 11 showing was in violation of the Lanham Act, 15 U.S.C. § 1126(b), (g), (h) and (i), and that the March 11 showing gave rise to a variety of pendent state causes of action. The complaint seeks damages and a variety of injunctive relief.

Named as defendants in the suit are Cal-Cap-Ra, Inc., the company which runs the Pavilion Lounge; Anthony Calabrese, Jr., and Brian Carlson, the principals of Cal-Cap-Ra; Pavilion Limited Partnership, which owns Pavilion Apartments and leases the lounge to Cal-Cap-Ra; and American InvSCO, which manages Pavilion Apartments. Currently pending is the motion of defendants American InvSCO and Pavilion Limited Partnership for summary judgment on all counts of the complaint.

1. Copyright Infringement

Generally, defendants have been held liable in copyright actions on one or all of three theories: because they directly copied protected material; because they induced, caused, or materially contributed to the activities of someone who directly copied such material; or because their relationship with the direct infringer warranted holding them vicariously liable for the infringement. *Gershwin Publishing Corp. v. Columbia Artists Management, Inc.*, 443 F.2d 1159, 170 USPQ 182 (2d Cir. 1971).

It is not disputed that the Partnership and American Invsco exercise little or no active authority in the day-to-day operations of the Pavilion Lounge. It is also undisputed that the movant defendants were not consulted in connection with the decision to screen Coalminer's Daughter. As a result, it is not seriously contended that either of these defendants was a direct infringer of plaintiff's copyright. Rather, the heart of the dispute is whether or not an issue of material fact remains as to whether these defendants can be held liable for contributory or vicarious infringement.

[1] The showing required to establish contributory infringement is well established:

"One who, with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another, may be held liable as a "contributory" infringer. *Gershwin Publishing Corp. v. Columbia Artists Management, Inc.* 443 F.2d 1159, 1162, 170 USPQ 182, 184-85 (2d Cir. 1971). (Citations omitted).

Here the Partnership and American Invsco both claim that they did not know of the alleged infringement, that they did not in any sense contribute to that infringement, and that, therefore, summary judgment of this issue is appropriate. Plaintiff disputes both assertions.

Plaintiff points out that the showing of Coalminer's Daughter occurred within days of the official Chicago area release, and, as a result, that defendants knew or should have known that the proprietors of the Pavilion Lounge must have obtained a print of the film unlawfully. This argument is supported by the deposition testimony of defendant Calabrese, one of the managers of the lounge. Calabrese has stated that he obtained a videotape copy of Coalminer's Daughter for the price of \$100. He also testified that he knew that the videotape was "an illegal copy" when he bought it, and that the reason he knew this was the case was because, "it was just out in the shows."

The movant defendants reject this argument on two grounds. First, they point out that there is no evidence that any of their employees or agents made the same inference as Calabrese, and, indeed, affidavits indicate that they did not. Second, the movant defendants argue that the mere fact that they "should have known" that the tape of Coalminer's Daughter was bootlegged is not sufficient to justify a finding of contributory infringement.

While it is true that the only direct evidence of the actual knowledge of defendants' employees contradicts plaintiff's position, thus supporting the motion for summary judgment, it is also true that the relevant affidavits are self-serving documents and that Calabrese's testimony combined with the timing of the disputed showing provide a circumstantial basis for which a jury might choose to disbelieve the employee's testimony. In short, there is an issue of material fact as to whether or not the crucial

employees of American Invsco and the Partnership actually knew that the showing of Coalminer's Daughter was unlawful. Since this question of fact makes summary judgment inappropriate on the knowledge issue, it is unnecessary at this time to reach the question of whether a claim for contributory infringement can be stated on a showing of constructive knowledge.

Defendants' motion for summary judgment is also inappropriate as to the second element of the contributory infringement claim—whether either American Invsco or the Partnership “induce[d], cause[d], or materially contribute[d]” to the infringement. It is not disputed that the Partnership had authority to stop the allegedly infringing showing. The lease gives the Partnership full control over advertising for the Lounge on the premises and throughout the complex. Moreover, the lease provides that the Lounge shall not be used for any unlawful purposes. Finally, the court notes that, as managing agent for the Partnership, it is beyond dispute that American Invsco shared in this authority. Thus, if the movant defendants had wished to, they could have halted both the showing of Coalminer's Daughter and the advertisement of that screening.

[2] The Partnership and American Invsco argue that this showing is insufficient to establish that they contributed to the infringement. They rely heavily on the affidavits and certain deposition testimony, all of which indicates that they had no active role in the infringing conduct. Put simply, the movant defendants are arguing that they should not be held liable for contributory infringement because they have not done anything. This contention is unpersuasive. American Invsco and the Partnership are essentially seeking to draw a distinction between misfeasance and nonfeasance for contributory infringement purposes. The court is unaware of any cases which have rejected a contributory infringement claim on this basis and sees no principled reason for doing so in this instance.

[3] Moreover, it is clear that the distinction proposed by the defendants is inconsistent with the doctrinal underpinnings of the contributory infringement cause of action. The rule recognizing contributory infringement of a copyright was developed by analogy to the law of torts:

Since infringement constitutes a tort, common law concepts of tort liability are relevant in fixing the scope of the statutory copyright remedy, and the basic common law doctrine that one who knowingly participates in or furthers a tortious act is jointly and severally liable with the prime tortfeasor is applicable in suits arising under the Copyright Act. *Screen Gems-Columbia Music, Inc. v. Mark-Fi Records, Inc.* 256 F.Supp. 399, 403, 150 USPQ 523, 525–26 (S.D.N.Y. 1966).

Assuming that plaintiff does in fact establish that American Invsco and the Partnership knew of the imminent infringement, well established principles of joint tort liability would mandate that the Partnership and

American Invsco be held jointly liable for the conduct of the management of the Lounge:

For harm resulting to a third person from the tortious conduct of another, one is subject to liability if he * * * (c) permits the other to act upon his premises * * * knowing or having reason to know that the other is acting or will act tortiously * * * Restatement of Torts (Second), § 877.

There is clearly a question to be preserved for trial on the issue of contributory infringement. There is also a question on the issue of vicarious infringement.

The leading case recognizing a cause of action for vicarious copyright infringement is *Shaprio, Bernstein & Co. v. H.L. Green Co., et al.*, 316 F.2d 304, 137 USPQ 275 (2d Cir. 1963). In the Green case, defendant Jalen Amusement Company was in the business of manufacturing and retailing phonograph records at stores owned by defendant Green. The complaint alleged that Jalen had been selling records that infringed certain copyrights owned by the plaintiff. There was no contention that Green had any knowledge of Jalen's allegedly infringing activity and, as a result, the district court dismissed the complaint as it applied to Green. On appeal, however, the Second Circuit noted that Jalen was a consessionnaire of Green's; that, under the lease, Jalen was obliged to "obey all rules . . . promulgated" by Green; that Jalen had agreed to save Green harmless from any claims arising from conduct of the record concession; and that Green was compensated for granting the concession by receipt of 10-12% of Jalen's gross sales. As in this case, there was no evidence or allegation that Green actively participated in any of the day-to-day operations of Jalen's business.

Taking all of these facts into consideration, the Court of Appeals concluded that the policies of the copyright laws mandated that Green be held vicariously liable for Jalen's misconduct. The court noted that the doctrine of vicarious copyright liability had long since expanded beyond the narrow confines of the master-servant relationship. 316 F.2d at 307, 137 USPQ at 277. It then explained the propriety of a rule imposing liability on such "innocent" infringers in straight policy terms:

The protection accorded literary property would be of little value if insulation from payment of damages could be secured * * * by merely refraining from making inquiry * * * It is the innocent infringer who must suffer, since he, unlike the copyright owner, either has an opportunity to guard against the infringement (by diligent inquiry), or at least the ability to guard against infringement (by an indemnity agreement * * * and/or insurance). 316 F.2d at 308, 137 USPQ at 277-78 (Citations omitted.)

[4] The power of this argument, however, is more than a little troubling, for if the policies of the copyright laws justify imposing liability on

anybody who, as a practical matter, is in a position to curtail or insure against an infringement, then a whole universe of potential, but implausible, defendants opens up. Clearly, the Second Circuit did not mean to reach such a result. Indeed, the Green opinion cites with approval a number of cases in which vicarious liability was not imposed on a landlord who had let his premises “without knowledge of the impending infringement by his tenant, exercise[d] no supervision over him, charge[d] a fixed rental and receive[d] no other benefit from the infringement, and contribute[d] in no way to it.” 316 F.2d at 307. Thus, in addition to the requirement that a vicarious infringer be in a position to control the unlawful activity of the direct infringer, the cause of action was said to include a second element: the requirement that the vicarious infringer be in a position to benefit economically from the infringement, 316 F.2d 307, 137 USPQ at 277. See, also, e.g., *Universal City Studios v. Sony Corp. of America*, 480 F.Supp. 429, 461, 203 USPQ 656, 688–89 (C.D.Cal. 1979); *F.E.L. Publications v. National Conference of Catholic Bishops*, 466 F.Supp. 1034, 1040, 200 USPQ 301, 305–06 (N.D.Ill. 1978); *Famous Music Corp. v. Bay State Harness Horse Racing and Breeding Assoc.*, 423 F.Supp. 341 (D.Mass. 1976). Apparently the theory of this second element of the cause of action is a recognition that one who stands to benefit from an infringement is, in a sense, a participant in the infringement. Moreover, such persons clearly have an economic incentive in seeing that the infringing activity continues. Of course, once a person in a position to curtail infringing conduct becomes aware of the infringement, this incentive is presumably negated by the risk of contributory liability. However, absent an additional cause of action for vicarious liability, the cause of action for contributory liability would merely increase the incentives impelling those who might most effectively police the copyright laws to greet the likelihood of infringement with a wink and a nod.

Here, as already noted, the Partnership and American Invsco were in a position to forestall the allegedly unlawful screening of Coalminer’s Daughter. Moreover, the lease provides that:

Lessee shall defend, indemnify and save harmless the Lessor and its agents * * * against any liability or claim, whether for injury to persons * * * or damage to property arising out of * * * any act or omission to act by the Lessee * * * in or upon the premises * * * [or] * * * any failure of Lessee to comply with any of the requirements of this Lease. (§ 17.01(b), (c).)

The lease also obligates the lessee to procure insurance protecting the lessor “against payment of sums of money for which Lessor * * * shall become legally liable * * * under * * * any statute * * * to any person or persons for * * * injury to property.” This ability to control the activities of the Lounge’s management, coupled with the save harmless provisions of the lease, might well justify a jury in concluding that the Partnership

and American Invsco are precisely the sort of innocent infringers whom Green viewed as being well situated to police against violations of the copyright laws. Summary judgment for defendants, thus, is not appropriate on this issue. The remaining question is whether the record sufficiently supports plaintiff's claim that the Partnership and American Invsco were economic beneficiaries of the infringing performance.

Plaintiff contends that the movant defendants stood to benefit from the performance in two ways. First, plaintiff points out that rent on the Lounge is set at the higher of a flat per month rate or 10% of the Lounge's gross receipts. Thus, if, as is indisputably the case, the purpose of the allegedly unlawful showing was to stimulate business at the Lounge, then clearly, under this lease arrangement, the Partnership stood to benefit from it. This potential benefit gave the Partnership the sort of economic incentives for tolerating unlawful conduct that the vicarious liability doctrine was meant to eliminate. Whether or not American Invsco also had an economic interest in the screening is less clear, and will presumably turn on the nature of the relationships between it and the Partnership. The fact, however, that American Invsco was retained for the purpose of profitably managing the entire Pavilion Apartments complex is enough to avoid summary judgment on this issue.

This conclusion is further buttressed by plaintiff's second argument establishing economic benefit to the movant defendants. Plaintiff points out that the Lounge is intended as a sort of social club for the exclusive use and benefit of the residents of the Pavilion Apartments. Thus, plaintiff might well be able to persuade a jury that conduct which enhances the value of this amenity enhances the overall attractiveness of residence in the apartment complex. Such an inference would be reinforced by the fact that the lease reserves to the lessor the right to "exhibit the premises to prospective tenants, purchasers or others," and by testimony to the effect that this right has been exercised. To the extent that the attractiveness of the Pavilion Apartments is enhanced by the alleged infringement, the Partnership is clearly an economic beneficiary of the infringement. Whether or not the same may be said of American Invsco is, again, a question which will turn on the nature of the relationship between American Invsco and the Partnership. Summary judgment is not currently appropriate on this issue.

To conclude, summary judgment is not appropriate as to either the Partnership or American Invsco on the issues of contributory and vicarious infringement. Summary judgment is appropriate with respect to both of these defendants on the issue of direct infringement.

2. The remaining claims.

Plaintiff's infringement claim is stated in Count II of the complaint. The remaining counts of the complaint allege a variety of state and federal

causes of action: conspiracy to infringe a copyright (Count I), Lanham Act unfair competition (Count III), trespass to chattels (Count IV), and specific delivery of wrongfully obtained property (Count V). The sufficiency of these claims can be dealt with quickly.

[5] Summary judgment is not appropriate on the conspiracy claim. As already noted, the scope of the infringement right of action is normally determined by the same principles that determine the scope of common law tort liability. *Screen Gems, supra*. It is well established that a conspiracy to commit a tort serves to extend liability for commission of the tort itself. See Prosser, *The Law of Torts*, § 46 at 293. Here there is evidence tending to show that American Invsco and the Partnership knew that feature films were being regularly shown in the Lounge; that several of the showings infringed valid copyrights; that the films could not have been advertised without the acquiescence of American Invsco and the Partnership; that unlawful screenings could not have taken place without the acquiescence of American Invsco and the partnership, and that a question of fact exists as to whether or not American Invsco and the Partnership knew that the screening of *Coalminer's Daughter* was improper. While this is less than overpowering evidence of a conspiracy, it does suffice to raise a question of material fact.

A civil conspiracy is normally established by showing an agreement, overt acts, and injury. *Hampton v. Hanrahan*, 600 F.2d 600, 620-621, 622-623 (7th Cir. 1979), modified on other grounds, 446 U.S. 754 (1980); *Hostrop v. Board of Junior College Dist. No. 515*, 523 F.2d 569, 576 (7th Cir. 1975), cert. denied, 425 U.S. 963. Summary judgment for defendants is clearly inappropriate on the question of whether or not any injury or overt acts have occurred. While the issue of agreement is a much closer question, here, too, summary judgment would be improper. The showing necessary to establish a conspiratorial agreement is not a rigorous one.

The participants in the conspiracy * * * need not know all the details of the plan designed to achieve the objective or possess the same motives for desiring the intended conspiratorial result. To demonstrate the existence of a conspiratorial agreement, it simply must be shown that there was a "single plan, the essential nature and general scope of which [was] known to each person who is to be held responsible for its consequences." *Hampton*, 600 F.2d at 621 (Citations omitted.)

The evidence summarized above might conceivably lead a jury to conclude that the managers of the Pavilion Lounge had conceived a plan to stimulate business by, among other things, unlawfully showing copyrighted movies, that American Invsco and the Partnership knew of this plan and that American Invsco and the Partnership consciously refrained from exercising their authority to disrupt the unlawful aspects of the plan, including the showing of *Coalminer's Daughter*. Under the standards set forth in *Hampton*, this is enough to establish a claim for

conspiracy to infringe. Consequently, the motion for summary judgment on Count I must be denied.

This conclusion, taken together with the court's ruling on the infringement question, also renders summary judgement inappropriate as to Count IV, alleging trespass to chattels, and Count V, seeking specific delivery of wrongfully obtained goods. The court's rulings on the question of contributory infringement and the alleged conspiracy to infringe are essentially rulings on the question of whether traditional tort concepts would render American Invsco and the Partnership jointly liable for the allegedly unlawful conduct of the managers of the Pavilion Lounge. The court sees no reason, and defendants have suggested none, why this analysis is not equally applicable to the question of joint liability for state law torts.¹ Defendants have not contended that summary judgment is appropriate on the substantive claims underlying Counts IV and V. Since the possibility of joint liability raises several issues of material fact, summary judgment is not warranted on these counts at all.

[6] The same cannot be said of Count III. Count III alleges that any copyright infringement that may have resulted from the May 11 screening of Coalminer's Daughter states a claim for unfair competition under the Lanham Act. 15 U.S.C. § 1126(b), (g), and (h). Section 1126, however, was intended to protect foreign nationals against forms of unfair competition by American nationals, and to give American nationals reciprocal rights against foreign nationals. The provision does not create a right of action between American citizens. *L'Aiglon Apparel, Inc. v. Lana Lobell, Inc.*, 214 F.2d 649, 102 USPQ 94 (3d Cir. 1954); *City Messenger of Hollywood, Inc. v. City Bonded Messenger Service, Inc.*, 254 F.2d 531, 116 USPQ 75 (7th Cir.), cert. denied, 358 U.S. 827, 119 USPQ 501 (1958). For this reason, the section is not applicable to this case. Accordingly, Count III should be dismissed with respect to all defendants.

¹The movant defendants argue that Count V states a claim on an analogy with an action for replevin and that replevin cannot be obtained from one who does not have possession of the disputed chattel. They conclude by pointing out that, since neither of them has possession of the photoplay, no claim is stated against them by Count V. This argument ignores the fact that replevin is a remedy, not a cause of action. That is, replevin and analogous remedies merely amount to one way in which a person who has wrongfully lost possession of a chattel may seek redress, they do not foreclose other forms of relief. Count V alleges that defendants are wrongfully in possession of a photoplay of Coalminer's Daughter. Wrongful possession of a chattel is actionable in tort on a theory of conversion. See generally, Prosser, *The Law of Torts*, § 15 (4th Ed.). Restatement of Torts (Second), §§ 222A-242. While such a conversion action may give rise to a right of replevin, it also gives rise to a claim for damages. Restatement of Torts (Second), § 927. The complaint seems to request both forms of relief. American Invsco and the Partnership cannot replevy the photoplay since they do not possess it, but for the reasons given in the text, they may be jointly liable for damages arising from any conversion that may have occurred.

To conclude, the motion of American Invsco and the Pavilion Limited Partnership for summary judgment on all counts of the complaint is GRANTED IN PART and DENIED IN PART. Summary judgment is granted in favor of these defendants on Count II of the complaint insofar as that count is meant to state a claim for direct infringement of plaintiff's copyright. Summary judgment is also granted on Count III of the complaint. This count does not state a claim upon which relief can be granted and is dismissed with respect to all defendants. The remainder of the motion for summary judgment is denied.

UNIVERSAL CITY STUDIOS, INC., et al. v. PHOTO-LITH INTERNATIONAL

No. 80 Civ. 6912

(United States District Court, S. D. New York—Decided May 15, 1981)

217 USPQ 974

Action by Universal City Studios, Inc., and Merchandising Corporation of America, Inc., against Photo-Lith International, for copyright infringement. On defendant's motions to dismiss or to transfer. Motion to transfer granted.

COPYRIGHTS

1. Pleading and practice in courts—Transfer to another district

Federal district court transfers copyright infringement action to federal district court in California, where all parties have their principal places of business, defendant and one of two plaintiffs is incorporated, transactions at issue took place, and where most, if not all, pertinent documents and witnesses are located, from New York, where defendant is not qualified to do business, none of defendant's employees is present or works regularly, no act complained of occurred, and where there are no witnesses, parties or documents, and whose only relationship with case is speculated connection between this and another action pending in district, for copyright infringement against another defendant.

Even L. Gordon, and Wofsey, Certilman, Haft & Lebow, both of New York, N.Y., for plaintiffs.

Jeffery Cohen, and Battle, Fowler, Jaffin & Kheel, both of New York, N.Y., for defendant.

SWEET, *District Judge*. Defendant, Photo-Lith International ("Photo-Lith") has moved to dismiss this copyright infringement action brought by Universal City Studios, Inc. ("Universal") and The Merchan-

dising Corporation of America ("Merchandising") for lack of personal jurisdiction and improper service. Alternatively, Photo-Lith has moved to transfer this action to the Central District of California pursuant to 28 U.S.C. 1404(a). The latter motion is granted.

All parties have their principal places of business in California. Universal is a Delaware Corporation. Merchandising and Photo-Lith are California corporations. Service was effected on December 10, 1980, on an independent commission salesman, dealing in Photo-Lith's products. Photo-Lith is not qualified to do business in New York and alleges that it has no employees who are present or work regularly in New York.

The complaint charges Photo-Lith with copyright infringement, unfair trade practices and unfair competition. The main factual allegation of the suit is that Photo-Lith "manufactured and offered for sale in the Sears Spring/Summer 1979 catalog Shaun Cassidy sweatshirts and t-shirts using . . . photographs which were copyrighted by the plaintiff Universal." Complaint, paragraph Thirteen. There is no allegation that any act complained of occurred in New York.

Service appears to be improper, since no Photo-Lith officer, employee, director, general agent, managing agent or other agent authorized to accept service in New York has been served here. However, such a defect could presumably be cured in the fullness of time, and to dismiss on that basis will not serve to expedite a resolution on the merits of what appears to be at this threshold point a relatively simple copyright dispute. Similarly, even if jurisdiction were to be found in New York as a result of Photo-Lith's activities here, the visits of its president, its sales activities and contracts entered into nonetheless, the § 1404 issues would remain because the parties all have their principal places of business in California and the transactions at issue took place there, or at any rate, not in New York.

[1] No New York witnesses, parties or documents are specified by plaintiffs. The defendant, on the other hand, has argued that most, if not all, pertinent documents and witnesses are to be found in California. These factors weigh heavily in support of the transfer motion. See *Fitzgerald v. Texaco, Inc.*, 521 F.2d 448, 451 (2d Cir. 1975), cert. denied, 423 U.S. 1052 (1976). Mention is made by the plaintiff, however, of an action pending in this district brought by them against another defendant alleged to have infringed copyrighted photographs of Shaun Cassidy. *Universal City Studios, Inc. and Merchandising Corporation of America, Inc. v. Cassie Cotillion, Inc.*, 80 Civ. 6264 (WK). It is speculated that there may be a connection between these alleged infringements, rising out of the acts of others not named as defendants in either action. Such speculation fails to affect the balance of the interest of justice resulting from the absence of any substantial New York contact with the dispute and the presence of significant ties to California.

The Honorable Edward Weinfeld's opinion in *Volk Corp. v. Art-Pak Clip Art Service*, 432 F.Supp. 1179, 199 USPQ 723 (S.D.N.Y.1977) is predictably helpful. Like Photo-Lith here, defendants in *Volk* moved to dismiss a complaint alleging copyright infringement for lack of personal jurisdiction and improper venue or, alternatively, to transfer the case to the Central District of California pursuant to 28 U.S.C. § 1404(a). Plaintiff was a New Jersey corporation that maintained its principal place of business in that state. Defendants were residents of California. The court declined to resolve the questions of jurisdiction and venue and transferred the action to California. The criteria relied upon by Judge Weinfeld apply to the case at bar:

The major issue in this case will be whether or not defendants have infringed plaintiff's copyrighted art work. The defendants and all their business records are located in California, and the alleged infringing art work is printed there. Further, the defendants state that their defense will be based upon a claim that their "clip art" was copied, in California, from publications bearing no copyright notice. Thus it is apparent that the principal witnesses and evidence on the central issue of this case are located in California. Moreover, if plaintiff ultimately prevails and the defendants are required to account to plaintiff, as requested in the complaint, all relevant books and records are located in California.

By contrast, none of the parties or relevant witnesses has any connection with this district. The only relationship this case has with New York is that some of the alleged infringing items were mailed into the state. However, they were mailed to other states as well, including California. Plaintiff can more easily prove infringement in the Central District of California, where the actual copying took place. The only apparent reason for choosing to bring this litigation in New York is the presence here of plaintiff's attorneys, an unimportant factor. Under these circumstances, plaintiff's choice of forum should be given little, if any, weight. Finally, a factor which is of some significance, the Court takes notice of the fact that the median time for disposition of civil cases is substantially shorter in the Central District of California than in the Southern District of New York. In short, the balance of convenience in this litigation tips decidedly toward California, and the convenience of parties and witnesses in the interest of justice would be served by a transfer there even if venue is proper here * * * [Footnotes omitted.]

Id. at 1181-82, 199 USPQ at 725-26. *Essex Crane Rental Co. v. Vic Kirsch Construction Co.*, 486 F.Supp. 529 (S.D.N.Y. 1980).

Submit order on notice within ten (10) days.

IT IS SO ORDERED.

UNIVERSAL CITY STUDIOS, INC., a corporation, d/b/a Universal Television and Universal Pictures, and Walt Disney Productions, a corporation, Appellants and Cross-Appellees, v. **SONY CORPORATION OF AMERICA**, a corporation, the Sony Corporation, a corporation, Carter Hawley Hale Stores, Inc., a corporation, Associated Dry Goods Corporation, a corporation, Federated Department Stores, Inc., a corporation, Henry's Camera Corporation, a corporation, Doyle Dane Bernbach, Inc., a corporation, and William Griffiths, Appellees and Cross-Appellants

Nos. 79-3683, 79-3735 and 79-3762

(United States Court of Appeals, Ninth Circuit—Argued and Submitted February 6, 1981—Decided October 19, 1981)

659 F.2d 963. 211 USPQ 761

[See also 429 F.Supp. 407, 200 USPQ 142, 41 C.O.Bull. 1145 (C.D. Cal., Mar. 28, 1977); 480 F.Supp. 429, 203 USPQ 656, 43 C.O.Bull. 883 (C.D. Cal., Oct. 2, 1979—*As amended*, Dec. 5, 1979); *Sony Corp. of America v. Universal City Studios, Inc.*, 457 U.S. 1116, 102 S.Ct. 2926, 73 L.Ed.2d 1328 (U.S. Sup. Ct.—*Certiorari granted*, June 14, 1982); 464 U.S. 417, 104 S.Ct. 774, 78 L.Ed.2d 574, 220 USPQ 665, 48 C.O.Bull.— (U.S. Sup. Ct.—*Reversed*, Jan. 17, 1984)]

Owners of copyrighted audiovisual material brought infringement action against videotape recorder manufacturer, the distributor, sellers, and the advertising agency retained by the distributor. The United States District Court for the Central District of California, Warren J. Ferguson, J., 480 F.Supp. 429, entered judgment for the defendants, and appeal was taken. The Court of Appeals, Kilkenny, Circuit Judge, held that: (1) off-the-air copying of telecasts of copyrighted audiovisual materials by owners of videotape recorders in their own home for private noncommercial use constituted infringement and did not constitute fair use, (2) defendants were liable for contributory infringement in that they knew that the videotape records would be used to reproduce copyrighted materials and induced, caused, or materially contributed to the infringing conduct.

Reversed in part, affirmed in part, and remanded.

1. Copyrights and Intellectual Property

Off-the-air copying of telecasts of copyrighted audiovisual materials by owners of videotape recorders in their own homes for private noncommercial use constituted infringement. 17 U.S.C.A. § 107.

2. Copyrights and Intellectual Property

Off-the-air copying of telecasts of copyrighted audiovisual materials by owners of videotape recorders in their own homes for private noncommercial use did not constitute fair use. 17 U.S.C.A. § 106.

3. Copyrights and Intellectual Property

Manufacturer of videotape recorder, and the distributor, sellers, and the advertising agency retained by the distributor to promote the videotape recorder were liable for contributory infringement with respect to the off-the-air copying of telecasts of copyrighted audiovisual materials by owners of videotape recorders, in that they knew that the tape recorders would be used for such purpose and induced, caused, or materially contributed to the infringing conduct. 35 U.S.C.A. § 271(c).

4. Copyrights and Intellectual Property

It is not necessary that alleged contributory infringer have actual knowledge that the activity he makes possible constitutes a copyright infringement; it is only necessary that the alleged contributory infringer have knowledge of the infringing activity. 35 U.S.C.A. § 271(c); 17 U.S.C.A. § 504(c)(2).

Stephen A. Kroft (on brief), Rosenfeld, Meyer & Susman, Beverly Hills, Cal., argued, for Universal Studios and Walt Disney.

Dean C. Dunlavey, Gibson, Dunn & Crutcher, Los Angeles, Cal., for Sony, Sony America, Doyle, Dane, Bernbach.

Appeal from the United States District Court Central District of California.

Before KILKENNY and CANBY, Circuit Judges, and EAST, District Judge.*

KILKENNY, *Circuit Judge*. Appellants, Universal City Studios, Inc. (Universal) and Walt Disney Productions (Disney), producers and copyright owners of audiovisual materials, some of which they choose to telecast over the public airwaves, brought this copyright infringement claim against Sony Corporation (Sony), the manufacturer of the Betamax, a videotape recorder (VTR), and Betamax tapes, Sony Corporation of America (Sonam) (the American distributor of the Betamax), four retail establishments that sell the Betamax, Doyle Dane Bernbach, Inc. (DDBI) (the advertising agency retained by Sonam to promote the Betamax), and one individual (William Griffiths), who is an owner and user of the Betamax.

Appellants argue that home video recording of their copyrighted works constitutes copyright infringement and that the corporate defendants are liable as direct, contributory and/or vicarious infringers. Additionally, appellants contend that the retail defendants violated the copyright laws when they recorded portions of appellants' programs to demonstrate the Betamax to a prospective purchaser. Likewise, appellants presented additional claims arising under state law and sought broad injunctive relief, as well as profits and damages. The district court, after three years of litigation and a five week nonjury trial, in the reported case of *Universal City*

*The Honorable William G. East, Senior United States District Judge for the District of Oregon, sitting by designation.

Studios, Inc. v. Sony Corp. of America, 480 F.Supp. 429 (C.D.Cal.1979), entered judgment for appellees and held:

(1) that copyright holders of audiovisual materials, some of which are sold for telecast over public airwaves, did not have monopoly power over off-the-air copying of those materials by owners of a videotape recorder in their homes for private, non-commercial use;

(2) the retailer did not infringe upon the copyrights where it did not compete with nor profit from materials and intended only to demonstrate the recorder;

(3) even if home-use copyrighting constituted an infringement, neither manufacturers, distributors, retailers, nor advertisers were liable under theories of direct or contributory infringement, or vicarious liability;

(4) that even if the appellees were deemed liable, injunctive relief was not available where they did not unfairly compete with owners of copyrighted materials, nor interfere with their advantageous business relations.

FACTUAL BACKGROUND

The district court in its elaborate, painstaking, and thoughtful opinion, *Universal City Studios v. Sony Corp. of America*, *supra*, at 432, 442, carefully outlined the facts and the parties' contentions. In our view it would be a complete waste of judicial time and effort and of no benefit to the Bench or Bar to here repeat those facts and contentions.

ISSUES

I. Does off-the-air copying of copyrighted audiovisual materials by owners of a videotape recorder in their homes for private noncommercial use constitute an infringement?

II. Are the corporate appellees liable for infringement under any of the theories advanced?

III. If appellants are entitled to prevail, the nature of the relief to be granted.

IV. Retail store use of this copyrighted material.

V. Unfair competition claims under 15 U.S.C. § 1125(a) and state law.

I.

Our comments under this issue include:

(a) whether the district court committed error in finding an implied video recording exception in the applicable legislation, and

(b) whether home video recording constitutes fair use.

Article I, § 8, cl. 8 of the United States Constitution empowers the Congress: "To promote the progress of science and useful arts, by securing, for limited times, to authors and inventors, the exclusive right to their respective writings and discoveries." In commenting on this clause of the Constitution, our Supreme Court has said that "The economic philosophy

behind the clause empowering Congress to grant patents and copyrights is the conviction that encouragement of individual effort by personal gain is the best way to advance public welfare through the talents of authors and inventors in 'Science and useful Arts.' " *Mazer v. Stein*, 347 U.S. 201, 219, 74 S.Ct. 460, 471, 98 L.Ed. 630 (1954). Despite what is said in some of the authorities that the author's interest in securing an economic reward for his labors is "a secondary consideration," it is clear that the real purpose of the copyright scheme is to encourage works of the intellect, and that this purpose is to be achieved by reliance on the economic incentives granted to authors and inventors by the copyright scheme. This scheme relies on the author to promote the progress of science by permitting him to control the cost of and access to his novelty. It is based on the premise that the exclusive right granted by the copyright laws "will not impose unacceptable costs to society in terms of limiting access to published works or pricing them too high." The district court relied heavily on its conclusion that the Copyright Act of 1976, providing that copyright holders have monopoly power over all productions of their works, did not include reproduction of sound recordings for home use. See 17 U.S.C. §§ 106(1), (4), (5) and 107. In arriving at this conclusion, the court compared the Copyright Act of 1909, which created the fair-use doctrine to immunize some forms of copying from the literal implications of the Act. 17 U.S.C. (1970 Ed.) § 1 with the language of 17 U.S.C. § 106 of the New Act which provides:

"Subject to sections 107 through 118, the *owner of copyright under this title has the exclusive rights to do and to authorize any of the following:*

- (1) to reproduce the copyrighted work in copies or phonorecords;
- (2) to prepare derivative works based upon the copyrighted work;
- (3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending;
- (4) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly; and
- (5) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture of other audiovisual work, to display the copyrighted work publicly." [Emphasis added.]

"The approach of the [statute] is to set forth the copyright owner's exclusive rights in broad terms in section 106, and then to provide various limitations, qualifications, or exemptions in the 12 sections that follow. Thus, everything in section 106 is made 'subject to sections 107 through 118,' and must be read in conjunction with those provisions." H.R. No. 94-1476, p. 61 Sept. 3, 1976, reprinted 1976 U.S.Code Cong. & Admin.News, 5659 at 5674, 94th Congress, 2d Sess.

The statutory framework is unambiguous; the grant of exclusive rights is only limited by the statutory exceptions. Elementary principles of statutory construction would indicate that the judiciary should not disturb

this carefully constructed statutory scheme in the absence of compelling reasons to do so. That is, we should not, absent a clear direction from Congress, disrupt this framework by carving out exceptions to the broad grant of rights apart from those in the statute itself. It is the duty of the courts to give faithful meaning to the language Congress adopted in the light of the evident legislative purpose in enacting the law in question. *Southwestern Community College v. Davis*, 442 U.S. 397, 99 S.Ct. 2361, 60 L.Ed.2d 980 (1979); *Chapman v. Houston Welfare Rights Organization*, 441 U.S. 600, 99 S.Ct. 1905, 60 L.Ed.2d 508 (1979); *United States v. Bornstein*, 423 U.S. 303, 96 S.Ct. 523, 46 L.Ed.2d 514 (1976); *Commissioner v. Bilder*, 369 U.S. 499, 82 S.Ct. 881, 8 L.Ed.2d 65 (1962); *Church of Scientology of California v. U.S. Dept. of Justice*, 612 F.2d 417 (C.A.9 1979).

Our study of the record and analysis of the legislation convinces us that the district court inadvertently bypassed the statutory framework of the 1976 legislation and, in particular, § 106 of the new Act. In commenting on the "broad language" of the new Act, the district court expressed the belief that despite the monopoly power over all reproductions of their works granted by § 106, nonetheless, the legislative history indicated to the contrary. We quote from its opinion:

"The broad language of the New Act suggests that copyright holders have monopoly power over all reproductions of their works. Legislative history, however, shows that Congress did not intend this broad statement to include reproductions of sound recordings for home use. The central question here is whether Congress intended the same language to give copyright holders of audiovisual works monopoly power over off-the-air recording of their works for home use. Legislative history does not show this intent." 480 F.Supp. at 443.

By characterizing its task as a search for whether Congress intended to afford protection, the district court misapprehended the scope of the relevant inquiry. The issue is not whether Congress exhibited an intent to protect a copyright holder from certain reproduction of his works. It had already expressed its intent to do so by extending the "bundle of rights" set forth in § 106 to copyright owners, *subject to specific sections*, to-wit: §§ 107-118. Consequently, our concern must be whether Congress has exhibited the intent to limit the rights of copyright owners in ways not specified in §§ 107-118. When one analyzes whether there exists an implied home video recording exception, apart from the fair use doctrine, in the light of the statutory framework, it is manifest that the district court's conclusion was erroneous. While the sound recording situation is analogous, there are a number of reasons why sound recordings should receive different judicial treatment.¹ The difference between these two ap-

¹The district court's reasoning has been subject to a number of criticisms. Note, *Universal City Studios, Inc. v. Sony Corp.*: 'Fair Use' Looks Different on Videotape. 66 Va.L.Rev. 1005, 1011-12 (1980). Note, The *Betamax* Case: Accommodating Public Access and

proaches—did Congress intend to afford protection or did Congress intend to withdraw protection—is more than a matter of semantics.²

First, the copyright statute treats sound recording and audiovisual works as separate categories of protected materials.³ And Congress has shown “special solicitude for audiovisual works.”⁴ For example, audiovisual materials are specifically excluded from some exemptions by the 1976 Act. 17 U.S.C. §§ 108(h), 110(l), 112(a). Section 108 provides strong support for the conclusion that Congress was concerned about unauthorized reproduction of audiovisual works, whether or not such reproductions were for profit. Section 108(h) excludes audiovisual works other than an audiovisual dealing with the news from the limited exception provided by § 108. The House Report dealing with § 108(h) indicates that the doctrine of fair use may have a limited application to the reproduction of such works. House Report at 1976 U.S.Code Cong. & Admin.News at 5692. In addition, even as to audiovisual news programs, which are subject to the § 108 exemption, the H.R. notes, in regard to § 108(f)(3), that:

“It is intended to permit libraries and archives, subject to the general conditions of this section, to make off-the-air videotape recordings of daily network newscasts for limited distribution to scholars and researchers for use in research purposes. As such, it is an adjunct to the American Television and Radio Archive established in Section 113 of the Act which will be the principal repository for television broadcast material, including news broadcasts. The inclusion of language indicating that such material may only be distributed by lending by the library or archive is intended to preclude performance, copying, or sale, whether or not for profit, by the recipient of a copy of a television broadcast taped off-the-air pursuant to this clause.” 1976 U.S.Code. Cong. & Admin.News at 5690-91.

In light of this caution with respect to the limited § 108 exemption, it is clear that Congress did not intend to create a blanket exemption for home video recording, even when the recording is not for a commercial purpose.

Economic Incentive in Copyright Law, 31 Stan.L.Rev. 243, 247 n. 18 (1979); 8 N.Y.U.Rev.L. & Soc. Change, 45, 48-51, 1978-79; Note, Copyright—The Home Video Recording Controversy, 81 W.Va.L.Rev. 231, 245-247 (1979).

²Most of the commentators have found problems with the reasoning underlying the district court's conclusion. 3 *Nimmer on Copyright*, § 13.05[F][5] at 13-95-96, n. 159 (1981); *Universal City Studios, Inc. v. Sony Corp.*: ‘Fair Use’ Looks Different on Videotape, 66 Va.L. Rev. 1005, 1011-12 (1980); Note, The *Betamax* Case: Accommodating Public Access and Economic Incentive in Copyright Law, 31 Stan.L.Rev. 243, 247, n. 18 (1979); 8 N.Y.U.Rev.L. & Soc. Change 45, 48-51 (1978-79); Note, Copyright—The Home Video Recording Controversy, 81 W.Va.L.Rev. 231, 245-47 (1979); Marsh, *Betamax and Fair Use: A Shotgun Marriage*, 21 Santa Clara L.Rev. 49, 61-67 (1981).

³17 U.S.C. § 102 lists seven illustrative categories of “works of authorship” which are copyrightable. Section 102(a)(6) is “motion pictures and other audiovisual works” and § 102(a)(7) is “sound recordings.”

⁴This reflects, no doubt, the relatively large economic investment involved in the creation of audiovisual works and the especial danger posed by unauthorized reproductions. See Marsh, *Betamax and Fair Use: A Shotgun Marriage*, 21 Santa Clara L.Rev. 49, 64-66 (1981).

Second, much of the underlying rationale for the recognition of an exemption for the home recording of sound recordings is simply not applicable to videorecording. Congress, when it granted limited copyright protection to sound recordings for the first time in 1971, made it clear in the legislative history that:

"In approving the creation of a limited copyright in sound recordings it is the intention of the Committee that this limited copyright not grant any broader rights than are accorded to other copyright proprietors under the existing title 17. Specifically, it is not the intention of the Committee to restrain the home recording, from broadcasts or from tapes or records, or recorded performances, where the home recording is for private use and with no purpose of reproducing or otherwise capitalizing commercially on it. *This practice is common and unrestrained today*, and the record producers and performers would be in no different position from that of the owners of copyright in recorded musical compositions over the past 20 years." [Emphasis added.] U.S. Code Cong. & Admin. News. 1971, 1566 at 1572.⁵

Beyond question that statement was not intended to apply equally to home video recording.⁶ Perhaps most importantly, Congress simply was not addressing the problem of home video recording. Certainly in 1971, home video recording did not present Congress with a "common and unrestrained practice" developed in a period when copyright protection was wholly lacking.⁷

⁵This language was not repeated in the legislative history accompanying the 1976 Act. The district court did not find this significant. Nimmer has commented that:

"This conclusion seems questionable on several grounds. First, the failure to repeat in the Committee Reports for the current Act an intention to recognize the home recording exemption referred to in the House Report for the 1971 Amendment is at least as consistent with an altered intention upon the part of the Congress enacting the Act of 1976. This is particularly true in view of the fact that other passages from the House Report for the 1971 Amendment were incorporated verbatim in the House Report for the current Act. . . . There is further the fact that the Amendment of 1971 was itself legislation limited to the creation of copyright in sound recordings, and did not (in this context) purport to affect the copyright in musical or other works which may be contained in such sound recordings. Therefore, the home recording exemption referred to in the House Report for the 1971 Amendment could only be applicable to the sound recording copyright, not to the copyright in any underlying work contained therein. . . . Finally, it is to be noted that the House Report for the current Act states that 'it is not intended to give [taping] any special status under the fair use provision or to sanction any reproduction beyond the normal and reasonable limits of fair use.' H. Rep., p. 66." 3 Nimmer, *supra*, § 13.05[F][5] at 13-96, n. 159.

⁶The House Report to the 1971 Sound Recording Act carefully excluded sounds accompanying motion pictures from the scope of that particular piece of legislation.

"In excluding the 'sounds accompanying a motion picture' from the scope of this legislation the Committee does not intend to limit or otherwise alter the rights that exist currently in such works. The exclusion reflects the Committee's opinion that soundtracks or audio tracks are an integral part of the 'motion pictures' already accorded protection under subsections (l) and (m) of Section 1 of title 17, and that the reproduction of the sounds accompanying a copyrighted motion picture is an infringement of copyright in the motion picture. . . ." 1971 U.S. Code Cong. & Admin. News at 1570-71.

There is no clear legislative language indicating that home video recording is not within the exclusive rights granted by § 106. The statute itself and the House and Senate Reports accompanying the 1976 Act do not provide for a broad based home use exception. There was never a considered review of the home video recording problem. The statements supporting the district court's conclusion⁸ hardly represent—when considered in the context in which they were made and in the context of the 20 year copyright revision process—a firm expression of Congressional intent to carve out a major exception to the copyright scheme.

The legislative history of the 1971 Amendment, heavily relied upon by the district court as disclosed by its opinion, 480 F.Supp. pages 444 and 445, is entirely beside the point. It is clear that the history relied upon, H.R. No. 487, 92d Cong., 1st Sess. 7, Reprinted [1971] U.S.Code Cong. & Admin.News, pages 1566, 1572, was not intended to apply equally to video home recording. We have emphasized this point in our footnote 6. Above all, it must be recognized that the Congress was in no way addressing the problem of video recording in its discussion of the 1971 legislation. Consequently, the analogy the district court attempted to draw between that legislation and the Act of 1976 is simply without foundation. There is absolutely nothing in the 1971 legislation which would indicate that the Congress was in any way concerning itself with home video recording. It is well settled that silence cannot be viewed as an expression of Congressional intent. *Turpin v. Mailet*, 579 F.2d 152 (C.A.2 1978), vacated, 439 U.S. 974, 99 S.Ct. 554, 58 L.Ed.2d 645, 591 F.2d 426 (C.A.2 1979). Beyond that, where the meaning of a statute is clear and unambiguous, it would be highly improper to construe inconclusive legislative history so as to apply a statute in a manner inconsistent with its claimed meaning. *United States v. Wilson*, 591 F.2d 546 (C.A.9 1979).

Resort to the legislative history of an Act is entirely unnecessary when the statute is clear and unequivocal on its face. *United States v. Oregon*, 366 U.S. 643, 81 S.Ct. 1278, 6 L.Ed.2d 575 (1961), rehearing denied 368 U.S. 870, 82 S.Ct. 24, 7 L.Ed.2d 70. The legislative history of a statute is not relevant when the terms of the statute are clear and unambiguous. *Natural Resources Defense Council, Inc. v. U.S. Environmental Protection Agency*, 507 F.2d 905 (C.A.9 1974).

[1] On this issue, we conclude that off-the-air copying of copyrighted audiovisual materials by owners of videotape recorders in their own homes

⁷Motion pictures had been protected by the copyright laws since 1912.

⁸See 480 F.Supp. at 445-46. The statements of Barbara Ringer and Representative Kastenmeier were made extemporaneously at a committee hearing and on the House floor respectively, and they were in connection with the Sound Recording Act of 1971. The statements do not represent a considered review of the home videorecording problem, and even these statements do not clearly establish an intent to exempt unauthorized reproductions apart from the fair use doctrine.

for private noncommercial use, constitutes an infringement of appellants' copyrighted audiovisual materials.

FAIR USE DOCTRINE

As indicated by the district court, the analysis of whether the recording was infringement does not end with the statutory language. While the old Act was in effect, the courts pronounced a rule of law known as the doctrine of "Fair Use." This doctrine has been approximately described as "the most troublesome in the whole law of copyright." *Dellar v. Samuel Goldwyn, Inc.*, 104 F.2d 661 (C.A.2 1939). From its inception, the doctrine has presented members of the judiciary with among the most elusive views that the courts are called upon to decide. It has been said that the doctrine is entirely equitable and is so flexible as virtually to defy definition. *Time, Inc. v. Bernard Geis Associates*, 293 F.Supp. 130 (S.D.N.Y. 1968). Time after time the courts have ruled on the Fair Use doctrine, but no real definition of the concept has ever emerged. One of the better definitions is that of the Second Circuit in *Rosemont Enterprises, Inc. v. Random House, Inc.*, 366 F.2d 303, 306 (C.A.2 1966), *cert. denied*, 385 U.S. 1009, 87 S.Ct. 714, 17 L.Ed.2d 546 (1967), where it is said that fair use is "a privilege in others than the owners of a copyright to use the copyrighted material in a reasonable manner without his consent, notwithstanding the monopoly granted to the owner" by the copyright. The Congress in the legislation of 1976 attempted to define fair use in § 107 which reads:

"Notwithstanding the provisions of section 106, the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include—

- (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
- (2) the nature of the copyrighted work;
- (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- (4) the effect of the use upon the potential market for or value of the copyrighted work."

It is noteworthy that the legislative history of § 107 makes it clear that its statements of the fair use doctrine offer some guidance to users in determining when the principles of the doctrine apply. However, it is there emphasized that the endless variety of situations and combinations of circumstances that can arise in particular cases precludes the formulation of exact rules.

The history states that the legislation endorses the purpose and general scope of the *judicial doctrine* of fair use, but there is no disposition to freeze the doctrine in the statute. We quote from the closing sentence of the history:

“Section 107 is intended to restate the present judicial doctrine of fair use, not to change, narrow, or enlarge it in any way.” U.S.Code Cong. & Admin.News 1976, 5680.

Consequently, and despite what is said by the district court, this fair use analysis is equally applicable to alleged violations under both the Old and the New Act. It is interesting to note that appellees have not suggested that home video recording would not violate the Old Act in the absence of a finding of fair use.

Despite the nebulous character of the doctrine, previous case law and the general copyright scheme do provide us with considerable guidance. As the first sentence of § 107 indicates, fair use has traditionally involved what might be termed the “productive use” of copyrighted material. See 66 Va.L.Rev. at 1012–1014. The purposes listed in § 107 are simply illustrative and not limitative, but they do give some idea of the general orientation of the doctrine. It is noteworthy that the statute does not list “convenience” or “entertainment” or “increased access” as purposes within the general scope of fair use.

Leon Seltzer, in his illuminating book *Exemptions and Fair Use in Copyright* (1978) states:

“The list, casual or studied as it may be, reflects what in fact the subject matter of fair use has in the history of its adjudication consisted in: *it has always had to do with the use by a second author of a first author's work*. Fair use has not heretofore had to do with the mere reproduction of a work in order to use it for its intrinsic purpose—to make what might be called the ‘ordinary’ use of it. When copies are made for the work’s ‘ordinary’ purpose, ordinary *infringement* has customarily, been triggered, not notions of fair use.” *Id.* at 24. [Emphasis in original.]

The cases have, for the most part, adhered to this aspect of the fair use doctrine. If an alleged infringer has reproduced a copyrighted work to use it for its intrinsic purpose, fair use has not generally been applied. Nimmer notes, however, that the courts have not adhered to this notion in recent years, and cites two cases as authority — *Williams & Wilkins Co. v. United States*, 487 F.2d 1345 (Ct.Cl.1973), *aff'd by an equally divided court*, 420 U.S. 376, 95 S.Ct. 1344, 43 L.Ed.2d 264 (1975), and the district court’s opinion in this case. *Nimmer, supra*, § 13.05[A][1] at 13–58 n. 23.3. *Williams & Wilkins Co.*, which has been appropriately regarded as the “Dred Scott decision of copyright law”, 487 F.2d at 1387 (Nichols, J., dissenting), is clearly not binding in this circuit, and, in any event, we find its underlying rationale singularly unpersuasive. The district court, while

noting that *Williams & Wilkins Co.*, "has little precedential value," 480 F.Supp. at 450, and quoting Nimmer's critique of the opinion, *Id.* at 451, used *Williams & Wilkins Co.'s distortions of the fair use rationale to justify an application of the doctrine which, in our opinion, stretches fair use beyond recognition and undermines our traditional reliance on the economic incentives provided to authors by the copyright scheme.*

In *Williams & Wilkins Co.*, the Court of Claims found that copying by the National Institutes of Health (NIH) and the National Library of Medicine (NLM) of entire articles published in plaintiff's journals was fair use. Plaintiff was the publisher of certain medical and scientific journals. The libraries regularly filled requests for journal articles (including some in plaintiff's journals) by photocopying such articles. Under this system, the libraries copied approximately 200,000 articles a year. The majority identified the core of its fair use finding:

"First, plaintiff has not in our view shown, and there is inadequate reason to believe, that it is being or will be harmed substantially by these specific practices of NIH and NLM; second, we are convinced that medicine and medical research will be injured by holding these particular practices to be an infringement; and, third, since the problem of accommodating the interests of science with those of the publishers (and authors) calls fundamentally for legislative solution or guidance, which has not yet been given, we should not, during the period before congressional action is forthcoming, place such a risk of harm upon science and medicine." 487 F.2d at 1354.

We believe that *Williams & Wilkins Co.* is clearly distinguishable. It appears that the Court of Claims was primarily concerned about the serious damage to medical science that would result if it held for the plaintiff. In this case, there is no corresponding countervailing societal benefit to "weigh" against the copyright interests of the author. We do not mean to suggest that increased access to such Disney products as "Chip and Dale/Mixed Nuts" is not a benefit to society. We only mean to say that the consequences attendant upon reduced consumer control of access do not in any way correspond to the deleterious consequences of reduced access identified by the Court of Claims in *Williams & Wilkins Co.*

Aside from the obvious distinctions between *Williams & Wilkins Co.* and the instant case, we believe that the Court of Claims' approach—in treating intrinsic use of such work as within the bounds of fair use—created doctrinal confusion that raises the spectre of the evisceration of the traditional workings of the copyright scheme. As Seltzer has stated:

"The traditional fair use notion has had to do with the sort of access that the mind of a user has to a copyrighted work: the work is instantly accessible on sight or hearing, and the question is what the second user would or should be allowed to 'do' with it—or, more accurately, what the creator of the work ought to have expected him freely to do with it. Use for photocopying and phonorecording involves a dif-

ferent sort of access: the possibility—and the capability—of instant reproduction of the work in the same mode and for the same purpose the original was in the first place acquired. With the first sort of access and use we can deal under notions of fair use, even when it involves photocopying, for appropriate expectations of economic reward are essentially unchanged. *The second kind of access and use triggers questions or reallocation of costs, however, and insofar as a use is of that sort, it is appropriately dealt with as an exemption from the normal workings of the copyright scheme, . . .*” Seltzer, *supra*, at 37–38. [Emphasis added.]

Selzer concludes that exemptions from the normal workings of the copyright scheme, because they involve the reallocation of costs, are matters for Congress, not the courts.

We hold that, particularly in the context of new technology, there is a danger to including the sort of copying involved in *Williams & Wilkins Co.* within the scope of the fair use doctrine. New technology, which makes possible the mass reproduction of copyrighted material (effectively taking control of access from the author), places a strain upon the fair use doctrine. A court, if it decides that fair use is applicable, is required to weigh—in “balancing the equities”—the “benefit” of an extremely popular increase in access with the “harm” to a plaintiff. The harm to a copyright plaintiff is inherently speculative, and as *Williams & Wilkins Co.* and the district court decision indicate, a plaintiff is faced with the unenviable task of proving the nonexistence of fair use, which has typically been viewed as a *defense*.

The costs are also important. They fall primarily into two categories. First, the result of applying fair use to intrinsic use cases like *Williams & Wilkins Co.* and this case is a fundamental restructuring of the copyright system not justified by the statutory scheme or traditional notions of fair use. Second, the framework for copyright litigation this view establishes is ultimately hostile and extremely adverse to the rights of copyright holders. It places them in the unenviable position of proving damage in a context in which extreme difficulty is acknowledged.

As a society, we may decide that these costs are acceptable. But, that branch of public policy determination is preeminently a decision for the legislative branch.

[2] It is our conviction that the fair use doctrine does not sanction home videorecording. Without a “productive use”, *i.e.* when copyrighted material is reproduced for its intrinsic use, the mass copying of the sort involved in this case precludes an application of fair use. An analysis of the four factors listed in § 107 does not dictate a contrary result.

A consideration of the first factor—“the purpose and character of the use, including whether such use is of a commercial nature or is for non-profit educational purposes”—does not aid appellees’ case. The district court noted that “Courts have traditionally applied this factor by asking whether the copyrighted material is used for criticism, research or other in-

dependent work.” 480 F.Supp. at 453. The fact that the use involved does not further a traditionally accepted purpose clearly weighs against a finding of fair use. The district court, however, emphasized the noncommercial⁹ and home use of the copyrighted material. The statute does not, however, draw a simple commercial/noncommercial distinction. The statute contrasts commercial and nonprofit educational purposes, and there is no question that the copying of entertainment works for convenience does not fall within the latter category. The fact that the “infringing” activity takes place in the homes does not warrant a blanket exemption from any liability. It seems more appropriate to address the privacy concerns raised by the district court in fashioning the appropriate relief. The suggestion that First Amendment concerns support the purpose of Betamax users to increase the access to copyrighted materials is wholly without merit. “The first amendment is not a license to trammel on legally recognized rights in intellectual property.” *Dallas Cowboys Cheerleaders, Inc. v. Scoreboard Posters, Inc.*, 600 F.2d 1184, 1188 (C.A.5 1979); *Walt Disney Productions v. Air Pirates* 581 F.2d 751, 759 (C.A.9 1978), cert. denied, 439 U.S. 1132, 99 S.Ct. 1054, 59 L.Ed.2d 94 (1979); *Sid & Marty Krofft Television v. McDonald’s Corp.*, 562 F.2d 1157, 1160–1171 (C.A.9 1977).

The second factor — “the nature of the copyrighted work” — does not support a finding of fair use. The legislative history and the case law dealing with this factor are rather sparse, but there seems to be some indication that the scope of fair use is greater when informational type works, as opposed to more creative products, are involved. Seltzer, *supra*, at 33–34; Nimmer, *supra*, § 13.05[A][2] at 13–61. The courts inquire whether the nature of the material is such that additional access “would serve the public interest in the free dissemination of information.” *Rosemont Enterprises, Inc. v. Random House, Inc.*, 366 F.2d at 307; *Time, Inc. v. Bernard Geis Associates*, 293 F.Supp. 130, 146 (S.D.N.Y.1968). If a work is more appropriately characterized as entertainment, it is less likely that a claim of fair use will be accepted.¹⁰ The district court, however, found it

⁹ “[C]ommercial use tends to cut against a fair use defense.” *Triangle Publications, Inc. v. Knight-Ridder Newspapers*, 626 F.2d 1171, 1175 (C.A.5 1980) (footnote omitted). Noncommercial motive does not mean fair use. 66 Va.L.Rev. at 1017; Marsh, *supra*, at 68–71. The “noncommercial” characterization of home videorecording is a bit misleading. The corporate defendants involved in the lawsuit are obviously not in the business of promoting home videorecording for strictly altruistic reasons.

¹⁰ *Rohauer v. Killiam Shows, Inc.*, 379 F.Supp. 723, 733 (S.D.N.Y.1974), rev’d on other grounds, 551 F.2d 484 (C.A.2 1977), cert. denied, 431 U.S. 949, 97 S.Ct. 2666, 53 L.Ed.2d 266 (“There is no discernible public interest in the dissemination of ‘The Son of the Sheik’ sufficient to justify the infringement. . . . It can scarcely be argued here that the enduring fame of Rudolph Valentino or the intrinsic literary and historical merit of ‘The Son of the Sheik’ (whatever it may be) serves any public interest sufficient to endow these defendants with the privilege of fair use.”); *Loew’s Inc. v. Columbia Broadcasting System*, 131 F.Supp. 165, 175 (S.D.Cal.1955), aff’d sub nom. *Benny v. Loew’s Inc.*, 239 F.2d 532 (C.A.9 1956), aff’d by an equally divided court, 356 U.S. 43, 78 S.Ct. 667, 2 L.Ed.2d 583 (1958).

significant that “This case involves only that copyrighted material which plaintiffs voluntarily choose to have telecast over public airwaves to individual homes free of charge.” 480 F.Supp. at 453. We fail to see how the method by which appellants have chosen to distribute their works is relevant to this factor of the fair use analysis. We are in substantial agreement with one commentator’s discussion of the district’s court’s analysis on this issue:

“While this attribute of the broadcast industry complicates the economic harm analysis, it has no bearing on society’s interest in the dissemination of the material or the author’s reasonable expectation of compensation for repeated use of his material. These issues, basic to the rationale of the fair use doctrine, implicate the intrinsic qualities of the work, not the medium of its presentation. The *Sony* court’s analysis obfuscated the real issue at stake; whether the public interest in promoting the development of art and science dictates disregarding a copyright holder’s interest in controlling the use of his product. In *Sony*, the copyright owner’s interest should have taken precedence.” 66 Va.L.Rev. at 1020–21:

The third factor — “the amount and substantiality of the portions used in relation to the copyrighted work as a whole” — clearly weighs against a finding of fair use. The district court acknowledged that “Home use recording off-the-air usually involved copying the entire work,” 480 F.Supp. at 454, and that this typically precludes a finding of fair use. The court concluded, however, that the courts have *only* been concerned about the “substantiality” of the copying when it produced harm, and that “this taking of the whole still constitutes fair use, because there is no accompanying reduction in the market for ‘plaintiff’s original work.’ ” *Id.* We believe that this view of the case law is completely wrong.

In *Walt Disney Productions v. Air Pirates*, *supra*, we stated, “While other factors in the fair use calculus may not be sufficient by themselves to preclude the fair use defense, this and other courts have accepted the traditional American rule that excessive copying precludes fair use.” *Id.* at 758. In addition, the district court in *Loew’s Inc. v. Columbia Broadcasting System*, 131 F.Supp. 165 (S.D.Cal.1955), stated “The mere absence of competition or injurious effect upon the copyrighted work will not make a use fair. The right of a copyright proprietor to exclude others is absolute and if it has been violated the fact that the infringement will not affect the sale or exploitation of the work or pecuniarily damage him is immaterial.” *Id.* at 184. A panel of this court later affirmed *Benny v. Loew’s, Inc.*, 239 F.2d 532 (C.A.9 1956), and specifically noted that “The judgment is affirmed upon the findings of fact and conclusions of law of the district court and for the reasons set forth in the opinion of [the district judge].” *Id.* at 537. These cases clearly did not limit their discussion of “substantiality” to cases in which the plaintiff had been harmed. It seems clear that these cases are based, in part, on the notion that copyright is a property interest and that it is impermissible, in the vast majority of cases, to “ap-

propriate" the copyrighted material without the owner's consent. The copyright laws afford the author the right to control access to his work, and, absent compelling justifications, this right should not be abridged.

We need not rest our holding on the applicability of the "substantiality" discussion in *Air Pirates* and *Loew's* to the home videorecording context, but it seems clear that this factor in the fair use calculus weighs heavily in appellants' favor.

The fourth factor — "the effect of the use upon the potential market for or value of the copyrighted work" — does not support a contrary result. In light of the preceding discussion, we do not believe that it is necessary to address the harm issue with respect to the liability question. We feel compelled, however, to express our disagreement with the district court's approach on this issue.

First, it seems apparent that the district court was much too strict in requiring appellants to establish its degree of harm.¹¹ Our sentiments are the same as those of one of the dissenters in *Williams & Wilkins Co.* who stated, "Although the court states that it rejects the trial determinations as to both actual and potential damage to plaintiff, I think the opinion shows that the court's conclusion is based primarily on its finding that *plaintiff failed to prove actual damages.*" 487 F.2d at 1367 (Cowen, C. J., dissenting). [Emphasis added.] That is simply too great a burden to impose on copyright plaintiffs. Nimmer has suggested that "the central question in the determination of fair use is whether the infringing work *tends* to diminish or prejudice the potential sale of plaintiff's work." 3 Nimmer, *supra*, § 13.05[E][4][c] at 13-84. [Emphasis added] [Footnote omitted.]¹² Under this sort of standard, it seems clear that appellants should have prevailed. Since the copies made by home viderecording are used for the same purpose as the original, a finding of fair use is not justified.¹³ The district court seems to recognize, on several occasions, that appellants will have to take affirmative steps to compete with the appropriated versions of their work. That such competition is necessary supports appellants' allegations of harm; at the least, it makes clear that the "infringing" activity *tends* to prejudice the potential sale of appellants' work. It is clear

¹¹The courts typically state that irreparable harm is presumed. *Encyclopaedia Britannica Educational Corp. v. Crooks*, 447 F.Supp. 243, 247, 251 (W.D.N.Y.1978). The presumption noted in *Crooks* was not because of the procedural posture (motion for preliminary injunction). The court noted that, at trial, the defendant would have an opportunity to rebut the presumption. In our case, it is clear that appellees did not establish with any degree of certainty that such harm was not likely to occur.

¹²The Second Circuit has used this approach. *Meeropol v. Nizer*, 560 F.2d 1061, 1070 (C.A.2 1977).

¹³Put another way, because the copies serve the same function as the original, the "functional test" suggests that fair use is not available. 3 Nimmer, *supra*, § 13.05[B]; *Metro-Goldwyn-Mayer, Inc. v. Showcase Atlanta Cooperative Productions, Inc.*, 479 F.Supp. 351 (N.D.Ga.1979).

that home users assign economic value to their ability to have control over access to copyrighted works. The copyright laws would seem to require that the copyright owner be given the opportunity to exploit this market.

Second, we do not believe that the district court paid sufficient attention to the fact that it is extremely difficult for a copyright plaintiff to prove harm from the activities of specific defendants. 3 Nimmer, *supra*, § 13.05[E][4][c]. As Nimmer states, "Far from this justifying a defense of fair use, failure to prove damages will in the usual case give rise to a minimum statutory damages liability. It is only when the general dissemination of an allegedly infringing work by all potential defendants, and without limitation as to the number of reproductions, and volume of users would still not adversely affect the plaintiff's potential market that a conclusion of fair use may be justified." *Id.* at 13-84.¹⁴ The district court quoted, in what seemed to be an approving manner, similar sentiments from one of Nimmer's law review articles, but the court clearly did not use this rationale in deciding the fair use question. The court, in analyzing the fourth fair use factor, did not pay sufficient attention to the *cumulative* effect of mass reproduction of copyrighted works made possible by videorecorders. It seems clear that absent an inquiry which takes into consideration the full scope of the "infringing" practice, copyright plaintiffs, in cases of this sort, would face insuperable obstacles to the protection of their rights. And, where one looks at the full scope of the activity in question, it seems clear that it tends to diminish the *potential* market for appellants' works.

II. LIABILITY OF CORPORATE DEFENDANTS

[3, 4] We disagree with the district court's conclusion that even if it were to hold that home-use copying was an infringement under the Old and the New Acts and was not fair use, the court could not find the appellees Sonam, Sony, DDBI and the four retail stores liable for this type of infringement. 480 F.Supp. at 457.

At the outset, it is necessary to make a couple of observations about the district court's analysis. The court relied heavily on a "staple item of commerce"¹⁵ theory in rejecting appellants' claims. The district court stated

¹⁴Senate Report 94-473 seems to express a somewhat similar concern about mass proliferation of minor infringements: "Isolated instances of minor infringements, when multiplied many times, become in the aggregate a major inroad on copyright that must be prevented." *Id.* at 65.

¹⁵See 35 U.S.C. § 271(c) (defining contributory infringement in patent context and providing for exception for "a staple article or commodity of commerce suitable for substantial noninfringing use"); *Aro Mfg. Co. v. Convertible Top Co.*, 377 U.S. 476, 488-89, 84 S.Ct. 1526, 1533-34, 12 L.Ed.2d 457 (1964).

that "Selling of a staple article of commerce—*e.g.*, a typewriter, a recorder, a camera, a photocopying machine—technically contributes to any infringing use subsequently made thereof, but this kind of 'contribution,' if deemed sufficient as a basis for liability, would expand the theory beyond precedent and arguably beyond judicial management." 480 F.Supp. at 461. This reliance on the "staple article of commerce" theory was inappropriate. Appellees' analogy of videotape records to cameras or photocopying machines may have substantial benefit for some purposes, but does not even remotely raise copyright problems. Videotape recorders are manufactured, advertised, and sold for the primary purpose of reproducing television programming. Virtually all television programming is copyrighted material.¹⁶ Therefore, videotape recorders are not "suitable for substantial noninfringing use." See 3 Nimmer *supra*, § 12.04[A] at 12-39, 12-40. That some copyright owners choose, for one reason or another, not to enforce their rights does not preclude those who legitimately choose to do so from protecting theirs.

A second observation about the district court's analysis is in order. The court found that the corporate appellees' knowledge was insufficient to make them contributory infringers. This was based, in part, on the court's assertion that "defendants here could not know what copyright law required. Before this lawsuit, that issue had not been determined." 480 F.Supp. at 460. It is not necessary that an alleged contributory infringer have actual knowledge that activity which he *makes possible* constitutes a copyright infringement. A copyright defendant's "innocence" does not absolve him of liability; it only affects the remedies available.¹⁷ For example, the statute provides for a *reduction* of statutory damages if the infringer "was not aware and had no reason to believe that his or her acts constituted an infringement of copyrights," 17 U.S.C. § 504(c)(2), and a *remission* of statutory damages, *in limited circumstances*, if the "infringer believed and had reasonable grounds for believing that his or her use of the copyrighted work was a fair use." *Id.* In this context, a defendant's mistake as to the legal consequences of his actions does not constitute an excuse for an infringement. It is only necessary that a copyright defendant have knowledge of the infringing *activity*. It cannot be argued that the corporate appellees cannot be held to have the knowledge that the Betamax will be used to reproduce copyrighted material, some of which appellants own. We adopt the district court's definition: "[O]ne who with knowledge of the infringing activity induces, causes or materially contributes to the infringing conduct of another, may be held liable as a 'contributory' infringer." *Gershwin Publishing Corp. v. Columbia Artists Management*,

¹⁶For examples, see Nimmer, *supra*, § 12.04[A] at 12-39-40.

¹⁷3 Nimmer, *supra*, § 13.08. This discussion of "liability" obviously only pertains to civil, not criminal, liability.

Inc., 443 F.2d 1159, 1162 (C.A.2 1971) (footnote omitted). There can be no doubt that the corporate appellees meet this definition.

First, the knowledge element is clearly satisfied. The corporate appellees “know” that the Betamax will be used to reproduce copyrighted materials. In fact, that is the most conspicuous use of the product. That use is intended, expected, encouraged, and the source of the product’s consumer appeal. The record establishes that appellees knew and expected that Betamax’s major use would be to record copyrighted programs off-the-air. Second, there is no doubt that appellees have met the other requirements for contributory infringement—inducing, causing, or materially contributing to the infringing conduct of another. The corporate appellees are sufficiently engaged in the enterprise to be held accountable. *See generally* 66 Va.L.Rev. at 1021–24; 31 Stan.L.Rev. at 257–260; 52 S.Cal.Rev. at 601–607; 81 W.Va.L.Rev. at 247–49.

III. RELIEF

Because we have found that home videorecording constitutes copyright infringement and that appellees are liable for such use, the district court’s judgment must be reversed and the case remanded for a consideration of the appropriate relief. The relief question is exceedingly complex, and the difficulty in fashioning relief may well have influenced the district court’s evaluation of the liability issue. The difficulty of fashioning relief cannot, however, dissuade the federal courts from affording appropriate relief to those whose rights have been infringed.

Appellants stated at oral argument that they were seeking a remand to the district court so that the district court could fashion the appropriate relief. This approach makes a good deal of sense; a district court is in a better position to resolve, in an appropriate fashion, the relief question.

There are a number of possibilities that the district court may want to consider. Because of the difficulty of proving the precise nature of the harm to appellants, statutory damages may be appropriate. 17 U.S.C. § 504(c). The district court also has a broad range of equitable remedies from which to choose. Section 502(a) provides that the court “may . . . grant temporary and final injunctions on such terms as it may deem reasonable to prevent or restrain infringement of a copyright” The district court determined that an injunction would not be an appropriate remedy. 480 F.Supp. 463–69. The court should reconsider this action.

We note that, as a general rule, a copyright plaintiff is entitled to a permanent injunction when liability has been established and there is a threat of continuing violations. Indeed, Nimmer states that “Generally, it would appear to be an abuse of discretion to deny a permanent injunction where liability has been established and there is a threat of continuing infringe-

ment.” 3 Nimmer, *supra*, § 14.06[B] at 14-53-14-54. In discussing the analogous photocopying area, Nimmer suggests that when great public injury would result from an injunction, a court could award damages or a continuing royalty.¹⁸ This may very well be an acceptable resolution in this context.

In fashioning relief, the district court should not be overly concerned with the prospective harm to appellees. A defendant has no right to expect a return on investment from activities which violate the copyright laws. Once a determination has been made that an infringement is involved, the continued profitability of appellees' businesses is of secondary concern.

IV. RETAIL STORE USE

We find no error with the district court's discussion of the fair use question in regard to the retail store use. Therefore, we affirm that portion of the decision.

V. UNFAIR COMPETITION CLAIMS

In light of our previous discussion, we have decided to vacate the district court's earlier disposition of the unfair competition claims and remand for reconsideration. We express no view on the merits of these claims.

VI. CROSS-APPEAL

The appellees below have cross-appealed because of the district court's failure to receive evidence on three affirmative defenses: (1) laches and estoppel, (2) copyright invalidity, and (3) unclean hands/copyright enforceability. On this appeal, we reverse and remand. The district court should give appellees an opportunity to establish these defenses.

¹⁸“Ordinarily it would be improper, and even an abuse of discretion for a court to deny a permanent injunction where liability and a threat of continuing infringement have both been established. But if one looks to other areas of property law it is clear that a property owner may be denied a permanent injunction against further violations of his property right where such an injunction would work a substantial injury to the public interest as well as to that of the particular defendant. *In such circumstances the property owner may be awarded, in lieu of an injunction, a reasonable royalty for the further use of his property. The courts might well conclude that photocopying practices for private use, particularly in the area of scientific writings, involve just such a public interest, so that a judicially created compulsory license as a substitute for injunctive relief could be found appropriate.*” 3. Nimmer, *supra*, § 13.-05[E][4][e] at 13-91. [Emphasis added.]

CONCLUSION

We find no Congressional intent to create a blanket home use exception to copyright protection and that home videorecording does not constitute fair use. In addition, the appellees are legally responsible for the infringing activity. The district court's decision must be reversed and the case remanded for appropriate proceedings. The court should consider the unfair competition claims and the affirmative defenses. If appellants prevail on the defenses, the district court should fashion appropriate relief.

The judgment of the district court is **REVERSED IN PART, AFFIRMED IN PART**, and the case **REMANDED** for appropriate proceedings.

IT IS SO ORDERED.

VANTAGE POINT, INC., Plaintiff, v. PARKER BROTHERS, INC.,
General Mills Fun Group, Inc., General Mills, Inc., and Milton Bradley
Company, Defendants

No. 77 CV 1531

(United States District Court, E. D. New York—December 31, 1981)

529 F.Supp. 1204. 213 USPQ 782

[See also *Vantage Point, Inc. v. Milton Bradley Co.*, 697 F.2d 301 (2d Cir.—*Affirmed without published opinion*, Apr. 23, 1982)]

Action was brought against manufacturer of board games seeking compensation for defendant's alleged use of a game idea owned by plaintiff. On defendant's motion for summary judgment, the District Court, Neaher, J., held that: (1) fact that defendant game company produced a game similar to plaintiff's idea after submission of plaintiff's idea addressed to defendant's president reached president's secretary's desk did not establish liability of defendant in light of uncontroverted affidavits establishing that, pursuant to defendant's policy of not considering nonprofessional, unsolicited submissions, plaintiff's submission was returned by defendant's president's secretary without being brought to the president's attention, and (2) even if former employee of another game company misappropriated plaintiff's game idea which was submitted to that company, when he presented similar game idea to defendant game company, no liability attached to defendant game company where it did not have notice of any misconduct by the former employee and, by the time it was arguably put on notice by receiving a complaint, it had changed its position by investing time and

money in making idea into marketable game by incurring costs for tooling and other production components, for advertising, and possibly for some inventory.

Motion granted.

1. Copyrights and Intellectual Property

Liability may be imposed where defendant was furnished an idea by a third party who learned of it from plaintiff in confidence or other fiduciary relationship, if defendant knew of that relationship and that the disclosure was in breach thereof, at the time the third party furnished the idea, but where defendant has learned of plaintiff's idea or secret through a third party, without notice that the latter's disclosure is in breach of a duty he owes to plaintiff, defendant is liable for its use only after notice that the disclosure was wrongful, and even then liability may not attach if, prior to receiving the idea, defendant has in good faith paid value for the secret or has so changed his position that to subject him to liability would be inequitable.

2. Copyrights and Intellectual Property

Any inference of use an idea which plaintiff has submitted to defendant, drawn from facts of disclosure and similarity, may be rebutted by defendant's demonstration that it developed the claimed similar concept independently without reference to whatever material plaintiff submitted.

3. Copyrights and Intellectual Property

Fact that defendant game company produced a game similar to plaintiff's idea after submission of plaintiff's idea, addressed to defendant's president, reached president's secretary's desk did not establish liability of defendant in light of uncontroverted affidavits establishing that, pursuant to defendant's policy of not considering nonprofessional, unsolicited submissions, plaintiff's submission was returned by defendant's president's secretary without being brought to the president's attention.

4. Federal Civil Procedure

Hope that a fact finder will disbelieve persons who have submitted affidavits cannot alone defeat a properly supported motion for summary judgement; opponent of motion must adduce factual material which raises a substantial question of veracity or completeness of movant's showing or presents countervailing facts. Fed.Rules Civ.Proc. Rule 56(e), 28 U.S.C.A.

5. Copyrights and Intellectual Property

Even if former employee of first game company misappropriated plaintiff's game idea which was submitted to first company, when he presented similar game idea to second game company, no liability attached to second game company where it did not have notice of any misconduct by the former employee and, by the time it was arguably put on notice by receiving a complaint, it had changed its position by investing time and money in making idea into marketable game by incurring costs for tooling and other production components, for advertising, and possibly for some inventory.

6. Copyrights and Intellectual Property

In supporting claim that defendant game company developed a game based on an idea submitted by plaintiff, plaintiff was not restricted to a tort theory of misappropriation of the idea but could proceed on such theories as express contract, implied-in-fact contract, fraud, and unjust enrichment.

7. Copyrights and Intellectual Property

Whether or not idea submitted to and used by defendant is original or concrete, recovery may be permitted if there was express promise to pay for its use, and absent express agreement, conduct of the parties may indicate that use of the idea is governed by an agreement implied-in-fact.

8. Torts

Recovery may be had wholly apart from contract where there has been undue advantage through unfair conduct, a breach of confidence or reprehensible means of obtaining the valuable property rights of another without compensation.

9. Copyrights and Intellectual Property

To sustain recovery in quasi-contractual restitution for use of an idea, it is unnecessary that disclosure have been made in confidence or that the parties be in a confidential relationship, but mere voluntary act of submitting an idea to one with whom the plaintiff has had no prior dealings will not make the disclosure one in confidence, even if stated to be so.

10. Copyrights and Intellectual Property

If parties agree that disclosure is to be made in confidence or some other confidential relationship obtains between the parties, use of an idea without compensation may provide the discloser with remedy against the recipient for breach of confidence or confidential relationship.

11. Contracts

Contract cannot be implied in fact when one party has expressly disavowed all intention to contract.

12. Customs and Usages

If custom existed in game industry to review unsolicited submissions from every source and pay for use of any ideas and hold them in confidence, change in policy would be ineffective as to one who submitted such an idea where game company never undertook to revoke offer on its part based on such custom and usage by, for example, public advertisement or announcement.

13. Copyrights and Intellectual Property

Even if game company undertook to hold in confidence idea submitted to it, entire relationship was not thereby rendered "confidential" in the sense that the parties became subject to all the responsibilities and remedial consequences which equity attaches to such a relationship, and such relationship would not be implied either independently or as part of an implied-in-fact contract, but quasi-contractual remedy for unjust enrichment would protect the economic interests involved in the situation.

14. Limitation of Actions

In deciding whether to apply state tort or contract limitations period, court must determine the essential nature of plaintiff's claim.

15. Limitation of Actions

Claim to recover against game company for use of an unsolicited submission of an idea would be primarily quasi-contractual in nature and governed by Massachusetts six-year limitations period applicable to actions in contract, and claims for implied contract would be governed by this limitations period as well, but to extent recovery was sought for misappropriation of plaintiff's idea, it was subject to three-year Massachusetts statute of limitations on actions to recover for injury to property. M.G.L.A. c. 260, §§ 2, 2A.

16. Limitation of Actions

Under Massachusetts law, silence on part of a fiduciary can toll limitations period on claim against fiduciary. M.G.L.A. c. 260, § 12.

17. Limitations of Actions

Period of limitations on claim for misappropriation of an idea was not tolled beyond time when injury, through publication of allegedly misappropriated game, occurred, by reason of fact that plaintiff had not yet discovered how alleged misappropriation occurred or by reason of fact that its damages were assertedly "too speculative" at that time.

18. Limitation of Actions

Claim against game company based on alleged misappropriation of idea submitted to it was not one for fraud within rule that claim grounded in fraud may not accrue until the fraud is discovered.

19. Trade Regulation

Neither the Lanham Act nor state law of unfair competition applied to claim that game company misappropriated a game idea which had been submitted to it. Lanham Trade-Mark Act § 43(a), 15 U.S.C.A. § 1125(a).

Carl E. Person, New York City, for plaintiff.

Fried, Frank, Harris, Shriver & Jacobson, New York City, for defendant Milton Bradley Company by Edward G. Turan, Joel S. Silber, New York City.

MEMORANDUM OF DECISION AND ORDER

NEAHER, *District Judge*. Plaintiff ("Vantage"), a Texas corporation, commenced this diversity action on September 9, 1977, as against defendant Milton Bradley Company,¹ a Massachusetts manufacturer of board games, including a three-dimensional oil exploration game called "King Oil," the focus of this suit. Briefly stated, plaintiff's claim is for compensation from Milton Bradley for allegedly using in "King Oil" game ideas plaintiff asserts were drawn from "Wildcat," an oil exploration game now known as "Oil Tycoon," which was conceived and developed, and then transferred to Vantage, by its founder and principal shareholder Ronald Potts and by Clinton Word, also a shareholder. The action is now before the Court on defendant Milton Bradley's motion for summary judgment. For the reasons which follow, the motion is granted.

It is well settled that the party moving for summary judgment has "the burden of showing the absence of a genuine issue as to any material fact, and for these purposes the material it lodged must be viewed in the light most favorable to the opposing party." *Adickes v. S. H. Kress & Co.*, 398 U.S. 144, 157, 90 S.Ct. 1598, 1608, 26 L.Ed.2d 142 (1970) (footnote omit-

¹The action as against the other defendants was discontinued.

ted). "The very mission of the summary judgment procedure [however] is to pierce the pleadings and to assess the proof in order to see whether there is a genuine need for trial." Adv.Comm. Note to Proposed Amendments to Rule 56(e), 31 F.R.D. 648 (1962). Hence, an opposing party may not retreat to "the mere allegations or denials of his pleading" in face of "a motion for summary judgment made and supported as provided in . . . [Rule 56]." Rule 56(e).

Here, the detailed affidavits, extensive depositions and exhibits clearly disclose that the following relevant and material facts are not in dispute.

On July 17, 1972, Potts mailed photographs, rules and a patent application description of "Wildcat" to Milton Bradley's president, James Shea, with an accompanying letter inviting review by Shea or by Millens Taft, a senior vice president and director of research and development. The company does not deny that it received these materials; indeed, it acknowledges that they were routed to Shea's secretary, who rerouted them to the Customer Service department for return to Potts. As will become clear, there is also no genuine issue that Shea did not see the submission.

Equally well documented are the facts that by letter to Potts dated July 31, 1972, defendant returned his enclosures, explaining in the form letter that the company was adhering to a formal policy of not considering unsolicited submissions such as plaintiff's, and was returning the submission unexamined. Pursuant to this policy, adopted in 1969, defendant retained a copy of Potts' letter and a copy of its reply.

In the month after receiving defendant's reponse, Potts wrote letters, *sans* submission, to other game companies urging them to review "Wildcat." By September 1972 he had persuaded Parker Brothers ("Parker"), the other major game manufacturer, to accept "Wildcat" for examination. Parker was sent a working version of the game on September 12, 1972, which it kept until October 20. On that day Parker's new product manager, Richard Barton, wrote to Potts that the company's marketing people had showed "a degree of interest" in the game and had sent it to the costing department where, however, it became clear that the costs of manufacture were too far above Parker's desired figures to warrant further consideration. The game was returned.

Working in Parker's game development department at this time was one Robert Baron. Although he denied ever seeing Wildcat, Baron acknowledged that plaintiff's game would have been available to him throughout the testing stages and cost analysis. On March 2, 1973 Baron's employment at Parker Brothers terminated.

Previously, while still employed at Parker, he had done independent toy and game consulting work for the toy department at the Owens-Illinois Company. The head of that department was Robert Charlesworth. Another member was Jerrould Smith, Jr., a former Parker sales manager who had left in early 1972. All three terminated their relationship with

Owens-Illinois in early 1973 and grouped together to create and sell toy and game ideas to the manufacturers.

Among the ideas the group agreed should be worked on was one for an oil exploration game. Baron, the experienced game designer, was assigned responsibility for developing the game. The group then refined Baron's version during the course of a week. This process occupied the first weeks of March 1973. Using contacts from his days at Parker, Smith then began the task of persuading a game company to look at the group's game, which they called "Oil Baron," and the three other ideas the group had devised. At Milton Bradley, the first contact, Smith was eventually put in touch with John O'Donnell, who was head of the marketing sales department and a member of the company's game selection committee. Smith persuaded O'Donnell that he could evaluate new game ideas, and that the idea of a game designer Milton Bradley did not know of, namely, Charlesworth, was worth examining. On that basis O'Donnell arranged for Smith and Charlesworth to speak to Richard Harris, one of Milton Bradley's top game development people.

Harris and Burke, a creative designer in the development department, met with Smith and Charlesworth on March 26, 1973. Charlesworth represented that he was "the sole and exclusive owner of [the] idea or suggestion," in a document formally requesting the company to review Oil Baron and releasing it for that purpose, Dft. Exh. 2, p. 1, although a confidentiality agreement that apparently accompanied the release stated that Smith and Charlesworth together were the "sole owners." *Id.*, p. 2. Also, a subsequent internal Milton Bradley form, Ptff. Exh. H, identified both Jerry Smith and Charlesworth as the "developer" of the game. And in fact, the three joint venturers considered themselves co-owners of the game, as they stated in their June 1973 agreement to divide any royalties from it. Ptff. Exh. K. It is undisputed, however, that no one ever mentioned Baron to Milton Bradley before it published King Oil.

On the basis of the meeting with Charlesworth and Smith defendant agreed to review Oil Baron further. The development department then refined the game in various respects, including the art work and rules, and changed the method of distributing the oil deposits throughout the game board interior. Also, the name was changed to King Oil because research showed the name Oil Baron held little significance for children.

At Milton Bradley a game selection committee supervised the progress of games in development, and evaluated and ultimately selected the games which the company would produce the following year. From the end of March 1973 on, this process included Oil Baron. The final decision to produce King Oil was reached in May 1973. The committee's members included O'Donnell, president Shea, Taft, Vincent Martin, a company vice president, development department members Houlihan and Harris, and research director Dorothy Worcester.

In January 1974 Milton Bradley entered into a licensing and royalty agreement with Charlesworth, in which he again represented, as he had when the game was first presented to the company, that he possessed all rights to it, as submitted. In February 1974 Milton Bradley published King Oil at the annual toy trade fair held in New York City. By this time Milton Bradley had incurred costs for tooling and other production components, for advertising and possibly some inventory.

At the fair, Parker's president, Randolph Barton, spoke to Shea about the suspicions people at Parker held that King Oil was "remarkably similar" to an oil exploration game that apparently had been worked on at Parker. Everett Morss of Parker wrote to Milton Bradley's Millens Taft a follow-up letter on May 21, 1974, which specifically referred to an oil exploration game worked on by Baron. Pttf. Exh. R. Previously, president Barton had written Charlesworth that Parker believed that Charlesworth, whose name it had obtained from defendant, had caused Baron to divulge the "concept and design" of King Oil with which Baron assertedly had been involved while at Parker, in violation of Baron's employment contract and confidential relationship with the company. Pftt. Exh. V. Parker's attorneys also had written Baron expressing the company's belief that Baron had been involved with the development, design and invention of King Oil while he was a Parker employee, and that any direct or indirect transfer of development information was in breach of his employment contract. Pttf. Exh. O.

Potts learned of King Oil in March 1974 from a Chicago couple, Arthur Camire and his wife Nancy. Potts had come into contact with the Camires in September 1972 after he had written Cadaco, Inc., another game company, about submitting Wildcat. As Cadaco's executive vice president Bonton wrote to Potts, the Camires had already developed a magnet-compass game involving "exactly the same concept" as Wildcat, although the game's theme was prospecting for gold, not oil. See Dft. Exhs. 4, 5, 6. Art Camire apparently believed Cadaco was interested in producing a game like Wildcat or the gold prospecting game, and in late September 1972 he proposed a royalty sharing scheme to Potts. Cadaco then informed Potts at the end of October that the company could no longer add a new game to its line for presentation at the 1973 toy fair, and it returned the materials Potts had provided. Nevertheless, Potts and Camire entered into an agreement under which Camire would act as Potts' agent for negotiating to sell Potts' game.

Upon learning about King Oil from Mrs. Camire, Potts wrote her offering to share one-third of any settlement if she could contribute substantially to winning any infringement case. A patent for Wildcat was granted to Potts on April 2, 1974. It was not until July 20, 1974, however, that Potts' attorneys wrote Milton Bradley concerning possible infringement.

In the fifteen months following publication of *King Oil* at least six others, besides Potts and Parker, complained to Milton Bradley that *King Oil* was very much like games they had developed or seen. Including Potts, four of the complaints involved games known as *Wildcat*. Milton Bradley responded to all the inquiries, explaining essentially that a professional game designer had submitted *King Oil*'s prototype, and that the published game was unrelated to the game which had prompted the inquiry.

In July and again in November 1974 Charlesworth wrote to Milton Bradley and emphatically denied ever having heard of or seen Potts, Vantage, the patent or the other games. In June 1974 Charlesworth also responded directly to Parker's inquiry. He denied that he "caused" Baron to divulge confidential information and affirmed that if such information had been disclosed in breach of any confidential relation Baron enjoyed with Parker, this had occurred without knowledge on his part. A year later, Charlesworth reaffirmed that Baron did not "submit" *King Oil* to him, and on this basis Parker closed its file on the matter. See Dft, Exhs. 16-19; Ptff. Exh. Y.

[1] In plaintiff's view the foregoing facts present two essential claims for relief, both of which permit recovery and require trial. First, it contends that Milton Bradley developed *King Oil* by using the materials that Potts sent to Shea in July 1972. Second, it contends that when Baron left Parker in the beginning of 1973 and teamed up with Charlesworth and Smith from Owens-Illinois, he carried with him ideas he had drawn from plaintiff's game while it was under review at Parker during his tenure. Assertedly, when Milton Bradley took on development of *Oil Baron* it knew or should have known that the game was being disclosed to it in breach of a confidential relation ultimately traceable to plaintiff.²

Without questioning the essential principle that ideas claimed proprietary may be protected against free use by others, outside the statutory ambits of patent and copyright, defendant challenges the legitimacy of most of the numerous, overlapping legal theories plaintiff has pleaded. It

²The parties have not questioned that analogously to the law governing trade secrets set forth in the Restatement of Torts, § 757(a), (c), liability may be imposed where the defendant was furnished the idea by a third party who learned of it from plaintiff in confidence or other fiduciary relationship, if the defendant knew of that relationship and that the disclosure was in breach thereof, at the time the third party furnished the idea. See *Atlantic Wool Combing Co v. Norfolk Mills, Inc.*, 357 F.2d 866 (1st Cir. 1966); *New England Co. v. Pritchard*, 300 Mass. 362, 15 N.E.2d 440 (1938); *Carter Products v. Colgate-Palmolive Co.*, 130 F.Supp. 557 (D.Md.1956), *aff'd*, 230 F.2d 855 (4th Cir.), *cert. denied*, 352 U.S. 843, 77 S.Ct. 43, 1 L.Ed.2d 59 (1956). On the other hand, where a party has learned of another's idea or secret through a third party, without notice that the latter's disclosure is in breach of a duty he owes to the other, the party is liable for its use only after notice that the disclosure was wrongful. And even then liability may not attach, if prior to receiving the idea, the recipient "has in good faith paid value for the secret or has so changed his position that to subject him to liability would be inequitable." Restatement of Torts, *supra*, § 758; see *Forest Laboratories, Inc. v. Pillsbury Co.*, 452 F.2d 621, 626-27 (7th Cir. 1971).

argues that the claim is properly viewed solely as one for misappropriation of property, sounding in tort, though it also questions the sufficiency of plaintiff's theories in the context of this case. In addition, it contends that relief under almost all the theories is barred by the applicable statutes of limitations.

[2] But its primary contention is that the undisputed and established facts regarding the development of King Oil entitle it to judgment as a matter of law on both plaintiff's claims. With respect to all of plaintiff's many legal contentions arising from Potts' direct submission to Shea, defendant claims it is entitled to judgment because there is no genuine issue that Wildcat was returned to Potts unexamined by anyone connected with developing King Oil, and that King Oil was independently developed from the Charlesworth submission without any knowing use of plaintiff's materials.³ With respect to plaintiff's second claim, defendant contends that there is no genuine issue that Baron did not misappropriate Potts' submission to Parker, and that even if he did, Milton Bradley was without notice of the misappropriation until the 1974 toy fair when it had already changed its position by expending time and money in developing Oil Baron into the market-ready game King Oil. Accordingly, it is to these contentions that we turn first.

[3] Milton Bradley's initial position is that plaintiff's July 1972 submission was never examined by president Shea or anyone else connected with game development. Everyone connected with the development of Oil Baron has submitted affidavits in support of the present motion in which each of them denies ever having seen or heard of the Vantage submission prior to the litigation. The company asserts that it adhered to its policy of accepting for examination the "unsolicited" submissions of only "professional designers" and returning unexamined such submissions from individuals who were not recognized as or recommended by a professional in the game industry. It is undisputed that Potts was not a professional.

³The gist of the first claim in the present action is use of an idea that the plaintiff has disclosed to the defendant. Thus, however the claim for relief is framed, any inference of use, drawn, for example, from the facts of disclosure and similarity, very plainly may be rebutted by the defendant's demonstration that it developed the claimed similar concept independently without reference to whatever material plaintiff submitted. See *Larson v. General Motors Corp.*, 148 F.2d 319, 320 (2d Cir. 1945); *O'Rourke v. RKO Radio Pictures*, 44 F.Supp. 480, 482 (D.Mass.1942); *Roberts v. Dahl*, 6 Ill.App.3d 395, 402, 286 N.E.2d 51, 55; *Downey v. General Foods Corp.*, 31 N.Y.2d 56, 334 N.Y.S.2d 874, 286 N.E.2d 257 (1972); *Teich v. General Mills, Inc.*, 170 Cal.App.2d 791, 339 P.2d 627, 634-36 (1959).

The principle is one familiar in the fields of copyright, see, e.g., 3 Nimmer, *supra*, § 12.11 [D] at 12-83-12-86, and trade secrets, see, e.g., 2 Milgrim, *Trade Secrets, supra*, § 8.03[1] at 8-41. Cf. *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 476, 490, 94 S.Ct. 1879, 1883, 1890, 40 L.Ed.2d 315 (1974) ("trade secret law does not forbid the discovery of the trade secret by fair and honest means. e.g., independent creation or reverse engineering").

Against this showing by defendant we conclude that plaintiff has failed to raise any genuine issue with respect to any material fact.

In his affidavit president Shea described the operation and development of the submissions policy, a topic that was also the subject of deposition inquiry by plaintiff. In principle, any mail or package that could be identified as an unsolicited submission was supposed to be routed directly from the mail room or receiving department, to the customer service department without being shown to anyone in game development. Working from a list the company kept of approved designers, the customer service department was to send "professional" unsolicited submissions on to the development department, while non-professional submissions were to be returned unexamined by anyone in development. No record of returned submissions was kept except for copies of any covering correspondence and Milton Bradley's form reply returning the submission.

Milton Bradley's ostensible reasons for limiting its review of unsolicited submissions to those of professional designers were, first, that such persons possessed the combined creative and business sense to know whether an idea could be successfully developed. The policy also would protect the company from litigation resulting from examination of the unsolicited submissions of countless "non-professionals," and minimize conflicts with its own development department. On the other hand, plaintiff asserts without any support that the policy merely cloaked Milton Bradley's true objective of obtaining game ideas without obligation to the submitters.

Defendant acknowledges that because the cover letter was addressed to president Shea personally, the letter and enclosed submission were routed to the customer service department for return only after it reached Shea's secretary. See Rule 9(g) Statement, ¶ 24. Plaintiff relies on the same circumstance, that the mail room sent the submission directly to Shea and not customer service, to contend that its submission was treated as a professional one from the outset. Concededly, "professional" submissions were copied and kept on file. Thus, if substantiated, the contentions of "professional" treatment would permit a further inference of continued access notwithstanding the letter returning the materials, which, conjoined with some demonstration of similarity, might warrant a conclusion of copying. Apart from that, plaintiff also contends, of course, that Shea and others saw the submission during the two weeks before it was returned, and retained its essential ideas.

First, there is no genuine issue that Milton Bradley did not treat plaintiff's submission as a professional one. To support its assertion that the submission was so treated, plaintiff draws an inference from a portion of the deposition of James Houlihan, who was familiar with the company's procedures for handling unsolicited submissions, including those addressed to individuals. He testified that individuals in the mail room determined if a submission was "professional." But in relying on this statement,

plaintiff ignores testimony in the same portion of the transcript (and in that of Richard Harris, another of the company's top game reviewers) which indisputably establishes that submissions addressed to individuals at Milton Bradley, rather than simply to the company or one of its departments, routinely reached the addressees, who then determined from any covering material if the submission was a "professional" one. Furthermore, plaintiff's extensive opportunity for discovery through Milton Bradley's files has yielded no evidence that the company retained anything pertaining to plaintiff's submission except copies of the covering letter and its own reply.

In short, there is simply no factual support for plaintiff's assertion that Milton Bradley had at hand pictures or other descriptive materials pertaining to Wildcat while it developed Oil Baron. As noted, the affidavits of the persons involved in developing King Oil, including Taft and Martin, are unanimous in denying all awareness of the existence of Wildcat during the relevant period, through Shea or otherwise. It is plain, however, that the sufficiency of these affidavits in eliminating any material issue of fact regarding Milton Bradley's defense of non-use and independent development, rests on the sufficiency of president Shea's affidavit. Conversely, the claim that Milton Bradley used game ideas from plaintiff's submission reduces to the facts that the Potts letter and enclosed submission were addressed to Shea and reached his secretary's desk.⁴

Mindful that every reasonable inference must be drawn in favor of the party opposing summary judgment, the Court cannot say that by itself, Shea's affidavit denial that he ever saw the Potts submission would suffice to dispel all factual dispute concerning his, and consequently Milton Bradley's awareness of Wildcat and possible use of its ideas. Ordinarily, from the acknowledged fact that mail reached a secretary, it might be reasonable to infer that it continued on to the addressee for reading, and instructions as to its disposition. But Shea's affidavit explains that the submission (though not specifically the letter), remained with his secretary and was not brought to his attention, precisely "in accordance" with the company's policy of insulating persons involved in development, as he was, from exposure to nonprofessional, unsolicited submissions.

Undoubtedly defendant's showing on this point could be stronger. For example, Shea might have stated more explicitly that his secretary deter-

⁴Plaintiff points also to the fact that the name "Wildcat" appeared on time sheets defendant kept for work done on Oil Baron. See Ptff. Exh. KK. At first blush, of course, the coincidence is noteworthy. Yet the Court must recognize that persons involved in developing a marketable game about oil exploration were likely to hit upon the term as particularly evocative of the rough and tumble aura many would associate (as indeed Potts did) with the hunt for crude. Accordingly, the appearance of "Wildcat" on Milton Bradley time sheets did not create a material issue of fact regarding its derivation. As previously noted, three persons besides plaintiff came up with the name "Wildcat" for an oil exploration game.

mined for him whether materials sent by mail were a professional submission or not, and whether correspondence separable from the submission itself was ever put before him, or the secretary might have provided a corroborating affidavit. But we think that the affidavit he submitted, based on his personal knowledge, sufficiently explained what happened to the submission to remove any issue that he ever examined it, and therefore obligated plaintiff to produce facts controverting this version in order to preclude summary judgment on the fundamental issues of access and independent development. *Accord, Downey v. General Foods Corp.*, 31 N.Y.2d 56, 62, 334 N.Y.S.2d 874, 286 N.E.2d 257 (1972), where the New York Court of Appeals held that summary judgment was proper when pretrial discovery showed that plaintiff's submission was kept "under lock and key" in files that no other department ever asked to research, by an individual who had no contact with the advertising agency that defendant claimed thought up the assertedly misappropriated name.

Although, as plaintiff points out, this circuit may have embraced a "generous" view of corporate access, see, e.g., *Bevan v. CBS*, 329 F.Supp. 601, 609-10 (S.D.N.Y.1971), the present case, is readily distinguished from *Bevan*, and from *Morrissey v. Procter & Gamble Co.*, 379 F.2d 675 (1st Cir. 1967), on which the *Bevan* court relied. In *Bevan*, the court denied defendant's motion for judgment *n.o.v.* on a claim for infringement of a common law copyright, holding that a jury could reasonably have found "access" to the plaintiff's ideas from the mere fact that a presentation describing a proposed television series was mailed to CBS's president. Unlike the present case, however, CBS's letter responding to plaintiff's submission expressed interest in the idea and did not indicate whether the submission was being returned or what had happened to it within CBS.

In *Morrissey*, the court reversed a summary judgment the lower court had granted on the issue of non-access. Without detailing the kind of evidence the defendant had adduced to prove non-access, the court determined that a presumption of access, drawn from plaintiff's mailing his idea to the company, remained in the case. The court also invoked the now discredited rule that summary judgment could not be granted where "there is the 'slightest doubt as to the facts,' " 379 F.2d at 677, ignoring defendant's apparent argument that summary judgment might be appropriate in light of the Second Circuit's decision in *Dressler v. MV Sandpiper*, 331 F.2d 130 (1964), which drew back from the restrictive summary judgment standard quoted by the First Circuit. 379 F.2d at 677. Here, by contrast, the undisputed facts establish defendant's lack of access, a circumstance that plaintiff has wholly failed to rebut.

There is no issue of fact regarding the lack of access to the Wildcat submission on the part of Taft and Vincent Martin, as set forth in their affidavits. Plaintiff has adduced nothing from which it might be reasonably

inferred that Taft actually saw or considered or knew of the submission, except the possibility it was discussed or shown to him by Shea. But that contention has been foreclosed by the now undisputed fact that Shea never saw the submission.

As for Martin, plaintiff points to the handwritten notations made on a copy of the Potts letter that Milton Bradley retained. Ptff. Exh. C. These notations read: "c/c Vincent Martin," "Ps certified," "large manila envelope" and give Potts' name and address. Plaintiff argues that "c/c Vincent Martin" signifies that Martin received a copy of the entire submission. Yet Houlihan, who was familiar with the company's procedures for handling unsolicited submissions that had been addressed to individuals, testified that the "c/c" notation was merely a direction to send Martin a copy of the Milton Bradley reply letter, which was done. See Ptff. Exh. G. Certainly, viewed in context with the other notations plainly referring to mailing directions, no reasonable inference can be drawn that the entire Wildcat submission was sent to Martin to review.

[4] In the circumstance, it is evident that plaintiff is opposing defendant's motion for summary judgment with respect to the intertwined issues of access to plaintiff's direct submission and the independent development of Oil Baron, entirely on the hope that a fact finder will disbelieve the persons who have submitted affidavits. This hope alone cannot defeat a properly supported motion for summary judgment. See *Radix Organization, Inc. v. Mack Trucks, Inc.*, 602 F.2d 45, 48 (2d Cir. 1979). The opponent of the motion "must adduce factual material which raises a substantial question of the veracity or completeness of the movant's showing or presents countervailing facts." *Beal v. Lindsay*, 468 F.2d 287, 291 (2d Cir. 1972). This plaintiff has not done, despite extended opportunity for discovery. See *Dyer v. MacDougall*, 12 F.R.D. 357 (E.D.N.Y.1951), *aff'd*, 201 F.2d 265 (1d Cir. 1952). "If the most that can be hoped for is the discrediting of defendants' denials at trial no question of material fact is presented." *Modern Home Institute, Inc. v. Harford Accident & Indemnity Co.*, 513 F.2d 102, 110 (2d Cir. 1975). *Accord*, *Downey v. General Foods Corp.*, *supra*, 31 N.Y.2d at 62, 334 N.Y.S.2d 874, 286 N.E.2d 257.

Turning next to plaintiff's contention that Milton Bradley may be held liable through Baron's alleged misappropriation of Wildcat while Parker Brothers was considering it, defendant argues first that there is no genuine issue that Baron did not misappropriate the submission. It points to Baron's denial on deposition that he saw or heard of plaintiff's submission while at Parker, and to his denial, corroborated by Smith and Charlesworth, that he passed along to the latter any information he had obtained at Parker. Baron Tr. 80, 81-82, 88-89, 92, 97; Charlesworth Tr. 38-39, 45, 65, 67-68; Smith Affidavit, ¶¶ 7, 8. Although Parker held suspicions about the true origin of King Oil—as, indeed, Parker's vice-president Barton informed Milton Bradley's president Shea as early as the

1974 toy fair—these supposedly were dispelled by Charlesworth's continued, insistent denials which Parker ultimately accepted as a sufficient basis to close its file. Moreover, defendant urges, the suspicions were just that; apparently Barton could not identify any fact to substantiate the views others at Parker had expressed.

Against this plaintiff has adduced sufficient circumstantial evidence to demonstrate that the question of Baron's misappropriation is genuinely at issue. See *Moore v. Ford Motor Co.*, 43 F.2d at 685, 687 (2d Cir. 1930). Plaintiff's submission was kept at Parker for testing and cost analysis. Baron acknowledged that before and after reaching those stages, games were available for his review and that he would have reviewed them also at the request of his superior, Parker's vice-president for development. Baron Tr. 13-14, 16-17. Furthermore, the research and development department at this time was "pretty small." Barton Tr. 9. Plaintiff also points to the Charlesworth group's relatively rapid, two to three week development of Oil Baron and the three other ideas it submitted to Milton Bradley, and to the fact that neither Charlesworth nor Smith informed Milton Bradley they were working with Baron, or that he had worked for Parker. From these circumstances it might be permissible to infer that notwithstanding their protestations of innocence, Baron, Smith and Charlesworth (although perhaps only Baron knowingly), used plaintiff's submission to Parker to develop Oil Baron. Although the nature and extent of Baron's involvement in developing Oil Baron, and his access to plaintiff's submission thus cannot be determined on summary judgment, trial of the issues is nonetheless unnecessary.

[5] Even if Baron misappropriated plaintiff's submission, no liability attaches because Milton Bradley did not have notice of any misconduct by Baron, having dealt only with Charlesworth and Smith. Furthermore, by the time defendant arguably was put on notice about Charlesworth and Baron by Parker's complaint at the toy fair, it had changed its position by investing time and money in making Oil Baron into the marketable game King Oil. Under the theory plaintiff has used to support its second claim for relief, this change in position precludes liability. See n.2, *supra*.

Plaintiff does not seriously dispute that Milton Bradley was unaware of Baron or his purported role when it accepted Oil Baron for review. See Amend. Compl. ¶ 21. Plaintiff does contend, however, that the circumstances surrounding the submission to Milton Bradley were so "irregular" as to put defendant on notice that something was amiss. First, plaintiff asserts that the Charlesworth submission was accepted in violation of Milton Bradley's own rules about submissions, since Charlesworth and Smith were not professional game designers. And it seeks to draw adverse inferences from the gradual disappearance of Smith from Milton Bradley's records concerning King Oil. Although Harris identified Smith as a principal after the initial March 26, 1973 meeting, Harris Tr. 46, Ptff.

Exh. H, and the confidentiality agreement accompanying the initial release giving Milton Bradley two weeks to review the game stated that Charlesworth and Smith were the “sole owners” of Oil Baron, Dft. Exh. 2, p. 2, the release itself and the final license agreement were entered into only by Charlesworth, who warranted he was the game’s sole owner, Dft. Exhs. 1; 2, p. 1.

In the context of the rule imposing liability for use of ideas known to have been divulged through breach of a duty owned by the discloser to another, these contentions do not raise any genuine issue regarding Milton Bradley’s knowledge about Baron, or, inferentially, about the possible source of Oil Baron. First, there is no genuine issue that acceptance of Oil Baron for initial review accorded with Milton Bradley policy governing submissions. President Shea stated in ¶ 3 of his affidavit that “[i]n addition” to the written policy defining “authorized” submissions, the company also accepted ideas “if recommended by a source that had the requisite background in the toy and game industry.” This is substantiated by Harris, who had initiated the policy and stated, in effect, that one purpose was to ensure a minimum of professionalism.

Furthermore, plaintiff has not disputed defendant’s version of the events, that O’Donnell, who was head of Milton Bradley’s sales and marketing department, and a member of the game selection committee, was ultimately persuaded both that Smith, the former Parker salesman, possessed a professional ability to evaluate games and that Oil Baron deserved examination and that he thereupon requested Harris to review the game. This renders nugatory plaintiff’s contention that the only “professional” in the Charlesworth group was Baron and that therefore Milton Bradley must have inferred his presence. Nor can the Court logically accept the proposition that Milton Bradley’s knowledge that Smith once worked for Parker does anything to establish that Baron was involved as well, or that Milton Bradley should know about it. The simple fact is that Milton Bradley accepted Oil Baron for review because it was recommended by Smith, whom the company was willing to consider a professional.

In short, the earliest that Milton Bradley can be charged with notice that Oil Baron might have a suspect origin was the first week of the toy fair, when Parker’s president Barton questioned Shea about King Oil in the belief that the game was one a Parker employee, not then named as Baron, had worked on while at Parker. See Barton Tr. 22. In fact, Baron is first named as King Oil’s originator only in the May 1974 letter from Parker’s Morss to Taft at Milton Bradley, which also acknowledged Milton Bradley’s help in providing Parker with Charlesworth’s address. While it might be inferred that Milton Bradley learned about Parker’s belief concerning Baron shortly before this letter, when Parker requested Charlesworth’s address, as a matter of law any notice it received in this

period did not create liability under the trade secret analogy plaintiff has urged.

By May 1974 Milton Bradley had already changed its position by incurring costs in bringing King Oil to market. Harris testified that if Milton Bradley had pulled King Oil off the market immediately after the toy fair, the company would have lost costs already incurred for tooling and other production components, for advertising and possibly some inventory. Harris Tr. 32-33. In these circumstances, "[t]he issue is whether the imposition of [a] duty" not to use the idea after notice of its improper disclosure, "would be inequitable under the circumstances." Restatement, Torts, § 758, comment on clause (b), subsec. (e) at 22. The Court concludes that imposition of the duty plaintiff desires would be inequitable. It is plain that prior to receipt of notice, Milton Bradley "paid value for the secret or made other investments in connection with it." *Id.* at 21. Thus, imposition of the duty "would subject [it] to loss" for actions taken when there was no such duty. See *id.*

In the interest of a complete disposition of the case we now consider defendant's alternate grounds for seeking a summary judgment. As will become clear, however, these do not eliminate all questions as to defendant's liability.

[6] First, we cannot accept defendant's argument that plaintiff is restricted in supporting its direct submission claim to a tort theory of misappropriation of the idea. On the contrary, the so-called law of ideas embraces numerous other grounds to afford protection to persons who, like plaintiff, have disclosed their ideas to others in the expectation that the idea would be used, and the use compensated.⁵ And while the idea disclosure cases generally refer to the idea in suit as the plaintiff's claimed "property," the decisions have focused primarily on the relationship between the parties (or lack thereof) and not on any *a priori* recognition of exclusivity in the idea. See generally, 2 R. Milgrim, Trade Secrets, § 8.03 (1980); 3 M. Nimmer, Nimmer on Copyright, § 16 (1981); 1 Palmer, Law of Restitution, § 2.8 at 97-98, 117-20; 3 *id.* § 10.11.

⁵Plaintiff has argued that some of its many theories of recovery are governed by New York law, and others by Massachusetts law, while defendant, with a narrower view of the action, has maintained that only Massachusetts law applies. Consideration of the available case law has persuaded the Court that in the main, the common law principles do not differ greatly between the two jurisdictions. The Court also notes that the parties have not confined themselves to the law of any particular jurisdiction, but have freely cited whatever authority upholds their particular arguments. Because there is some dearth of precedent under Massachusetts law, the Court has looked to other jurisdictions for support. See *Depositors Trust Co. v. Hudson General Corp.*, 485 F.Supp. 1355, 1359 (E.D.N.Y.1980). Also, although the Massachusetts statutes of limitations have been applied with respect to defendant's assertion of time bars to plaintiff's various claims, it does not appear that application of New York's statutes would require a different result.

[7] Beyond the threshold requirements that the idea be “novel” and “concrete,”⁶ inquiry has focused on the circumstances under which the plaintiff’s ideas became known to the defendant. Thus, whether or not the idea is original or concrete, recovery may be permitted if there was an express promise to pay for its use. See, e.g., *Krisel v. Duran*, 258 F.Supp. 845, 860 & n.59 (S.D.N.Y.1966) (cases under New York law). Absent an express agreement, the conduct of the parties may indicate that use of the idea is governed by an agreement implied-in-fact. See, e.g., *Desny v. Wilder*, 46 Cal.2d 715, 299 P.2d 257 (1956); *American Mint Corp. v. Ex-Lax, Inc.*, 263 App.Div. 89, 31 N.Y.S.2d 708 (1st Dept. 1941); *Anisgard v. Bray*, ____ Mass.App. ____, Mass.App.Adv. Sh., 419 N.E.2d 315 (1981). And there is support for the proposition that such an implied agreement may be based upon industry custom or usage regarding submission and use of ideas. See *Bevan v. CBS*, *supra*, 329 F.Supp. at 608; 3 Nimmer, *supra*, § 16.05[B] at 16–33 & n.15.

[8] Even where the facts may not support an actual contractual relationship, the circumstances of the disclosure remain critical. Despite contrary intimations in earlier decisions, e.g., *Bristol v. Equitable Life Assurance Co.*, 132 N.Y. 264, 30 N.E. 506 (1892), it is now accepted that recovery may be held wholly apart from contract where there has been “undue advantage through unfair conduct—a breach of confidence [or] reprehensible means of obtaining the valuable property rights of another without compensation.” *Krisel v. Duran*, 303 F.Supp. 573, 578 (S.D.N.Y.1969). The restitutionary theories of unjust enrichment suggested in Judge Weinfeld’s summary phrasing received more explicit expression in *Puente v. President & Fellows of Harvard College*, 248 F.2d 799, 802 (1st Cir. 1957):

“An idea, as distinguished from the copyrighted contents of a book or a patented device or process, is accorded no protection in the law unless it is acquired and used under such circumstances that the law will imply a contractual or fiduciary relationship between the parties.”

And quasi-contractual recovery in restitution was granted after termination of the express contract in *Hamilton National Bank v. Belt*, 210 F.2d 706 (D.C.Cir.1953), *aff’g*, 108 F.Supp. 689 (D.D.C.1952), where the court explained that it was appropriate to include

“an idea among protected property rights when it is definite and concrete, new and novel, has usefulness and is disclosed for commercial purposes in circumstances which the parties ought reasonably to construe as contemplating compensation for its use.” 210 F.2d at 709.

⁶See, e.g., *Bailey v. Haberle-Congress Brewing Co.*, 193 Misc. 723, 85 N.Y.S.2d 51, (Mun.Ct. 1948). See generally, 3 Nimmer, *supra*, § 16.08.

Accord, Matarese v. Moore-McCormack Lines, Inc., 158 F.2d 631, 634 (2d Cir. 1946) (recovery for unjust enrichment in services rendered in submitting idea); *Trenton Industries v. A. G. Peterson Mfg. Co.*, 165 F.Supp. 523, 532 (S.D.Cal.1958).

[9, 10] To sustain recovery in quasi-contractual restitution it is unnecessary that the disclosure have been made in confidence, or that the parties be in a confidential relationship. See *Trenton Industries v. A. G. Peterson, supra*; 2 Palmer, *supra*, § 10.11(d) at 474. On the other hand, the mere voluntary act of submitting an idea to one with whom the plaintiff has had no prior dealings will not make the disclosure one in confidence, even if stated to be so. A person may not "by his gratuitous and unilateral act, . . . impose upon another a confidential relationship." *Official Airlines Schedule Information Service v. Eastern Airlines, Inc.*, 333 F.2d 672, 674 (5th Cir. 1964). *Accord, Bowen v. Yankee Network, Inc.*, 46 F.Supp. 62, 63 (D.Mass.1942) (distinguishing *Moore v. Ford Motor Co., supra*). Of course, if the parties agree that a disclosure is to be made in confidence, or some other confidential relationship obtains between the parties, use of the idea without compensation may provide the disclosure with an alternative remedy against the recipient for breach of confidence or the confidential relationship.

Except for express contract plaintiff has relied on all these theories. It argues that Milton Bradley breached all the terms of a claimed implied-in-fact contract—which include a covenant of good faith and an alleged fiduciary relationship—by publishing King Oil at the annual toy fair in New York in February 1974 and paying royalties not to plaintiff, but to Charlesworth for his later submitted idea, and by concealing the Charlesworth submission from plaintiff and failing to investigate its charges of theft. On the same basis, plaintiff further contends that Milton Bradley had defrauded it by impliedly misrepresenting that it was willing to review plaintiff's submission and would compensate plaintiff for use of its ideas, and by not disclosing that it did not so intend. It also argues that King Oil was a misappropriation of plaintiff's game idea, giving rise to quasi-contractual restitutionary relief for unjust enrichment, as well as remedies for injury to property. In addition, plaintiff contends that the continued marketing of King Oil constitutes unfair competition in violation of common law and a false designation of origin prohibited by the Lanham Act, § 43(a), 15 U.S.C. § 1125(a).

[11] Attacking these theories *seriatim*, defendant first denies that a contract can be implied in fact when one party has expressly disavowed all intention to contract, as it purportedly did by returning plaintiff's submission. See, e.g., *N.Y. Central R. Co. v. Sturtevant & Haley Beef & Supply Co.*, 236 Mass. 16, 127 N.E. 509 (1920); *Earle v. Coburn*, 130 Mass. 596 (1881).

[12] This position is unexceptionable insofar as the operative events are considered to be the defendant's assent following plaintiff's submission, which may be viewed as "the offer of an act for a promise." 1 Corbin on Contracts, § 71. But the contention wholly ignores the fact that plaintiff's argument for an implied-in-fact contract focuses on a different contractual sequence. Plaintiff claims that by submitting Wildcat to Milton Bradley, it accepted a continuing offer made by Milton Bradley to review unsolicited submissions from every source and pay for use of any ideas it used and hold them in confidence. Plaintiff's basis for finding such an offer is an alleged game industry custom and usage. The general argument is advanced in 3 Nimmer, *supra*, § 16.05[B] at 16-33 as one with some support in the cases. In the present case, Milton Bradley's decision to adopt and formalize its submissions procedures permits an inference that such a custom existed. If so, the change in policy was ineffective as to plaintiff, since the company never undertook to revoke the offer outstanding on its part, for example, by public advertisement or announcement. *Cf.* 1 Corbin, *supra*, § 41 (revocation of broadcast offer effective only by "equal" publication). In sum, the existence of such custom, and Milton Bradley's adherence to it, as well as the terms of any contract that might be implied, are issues of fact which would require resolution at trial.

[13] On the other hand, there seems to be no sound basis for implying the existence of a confidential relationship between plaintiff and Milton Bradley, either independently or as part of an implied-in-fact contract. While apparently some courts have grounded a confidential relationship on an inequality perceived to exist between idea submitters and recipients (usually those with the means to develop and market the idea), see 3 Nimmer, *supra*, § 16.06 at 16-46—16-47 & nn.12-14, imposition of such a relationship is unduly burdensome and unwarranted in policy where the sole contract between the parties has been the arms-length submission of an idea.

It is true, as plaintiff argues, that a fiduciary relation is not required in order for a confidential relationship to be found, see Restatement of Trusts, 2d, § 2, comment c at 7. But here there is no preexisting relationship, for example, that of employer and employee, on which a fiduciary relation could be based, nor is there any indication that custom has established such a relationship in these circumstances. The Court perceives no equitable need in the relative positions for plaintiff and Milton Bradley to intervene on plaintiff's behalf to the extent of imposing a fiduciary relationship where none would otherwise exist. Such a relationship imposes on the parties duties and remedial consequences far beyond those that either could reasonably expect. In fact, the quasi-contractual remedy for unjust enrichment previously discussed amply protects the economic interests involved in this type of situation.

While it may be part of plaintiff's claimed implied contract that Milton Bradley, as the idea recipient, undertook to hold it in confidence, the entire relationship was not thereby rendered "confidential" in the sense that the parties became subject to all the responsibilities and remedial consequences which equity attaches to such a relationship. The extent of the duty of one who has received an idea disclosed in confidence is not to disclose or use it adversely to the party making the disclosure. See Restatement of Torts, § 757, comment on clause (b) at 13.

[14, 15] While defendant has argued that plaintiff's claims are barred by the running of the three-year Massachusetts statute of limitations applicable to actions to recover for injury to property, Mass.Gen. L. Ann. c. 260 § 2A, the Court is of opinion that only insofar as plaintiff's claims sound in misappropriation are they barred. In deciding whether to apply the Massachusetts tort or contract limitations period the Court must determine "the essential nature of plaintiff's claim." *Desmond v. Moffie*, 375 F.2d 742, 743 (1st Cir. 1967). See *Kagan v. Levenson*, 334 Mass. 100, 134 N.E.2d 415 (1956). While direct authority is wanting, the Court does not doubt that a claim to recover for use of an unsolicited submission is primarily quasi-contractual in nature, and thus would be governed by the six-year limitations period applicable to "[a]ctions of contract, other than those to recover for personal injuries, founded upon contracts or liabilities, express or implied." Mass.Gen.L. Ann. c. 260, § 2. Certainly the Court is not concluded on the issue by plaintiff's somewhat confused briefing. See Ptff.Br. at 46-48. Moreover, to the extent that plaintiff's claims for an implied contract remain viable, they would be governed by this limitations period as well.

Nevertheless, to the extent that recovery is sought for misappropriation of plaintiff's idea, whether based on the direct or indirect submission theories, it is clear that any such claim is now time barred. Plaintiff did not commence its action against Milton Bradley until process was served on September 9, 1977, more than three years after the latest date on which its claim may be said to have accrued, the publication of King Oil at the toy fair in New York in February 1974.

[16] Plaintiff, however, claims the benefit of the tolling provision of Mass.Gen.L. Ann. c. 260 § 12, which provides:

"If a person liable to a personal action fraudulently conceals the cause of such action from the knowledge of the person entitled to bring it, the period prior to the discovery of his cause of action by the person so entitled shall be excluded in determining the time limited for the commencement of the action."

Plaintiff recognizes that the sole basis for its contention of fraudulent concealment is Milton Bradley's alleged breach, by its silence, of the asserted fiduciary obligation to inform plaintiff about the Charlesworth submission, about Smith, and about Parker's suspicions. Under Massachusetts

law silence on the part of a fiduciary can toll the limitations period. See *Jamesbury Corp. v. Worcester Valve Co.*, 443 F.2d 205 (1st Cir. 1971) (former employee), citing *Stetson v. French*, 321 Mass. 195, 72 N.E.2d 410 (1947). But as previously discussed, here there was no confidential relationship between plaintiff and Milton Bradley, and the statute therefore ran untolled.

[17, 18] As defendant points out with respect to the claim resting on the “indirect” submission through Baron, plaintiff has confused discovery of its injury with discovery of the cause of its injury. In fact, plaintiff knew of King Oil in March 1974, see Dft.Exh. 20, and its attorneys wrote Milton Bradley in July 1974 about possible patent infringement, Dft.Exh.21. Plaintiff clearly had the means to know if its game ideas had been misappropriated. It knew that it had submitted Wildcat to defendant and to other game companies, and that it had been turned down by them all. Unlike *Tracerlab, Inc. v. Industrial Nucleonics Corp.*, 313 F.2d 97 (1st Cir. 1963), which involved the “highly complex and entirely internal circuitry” of defendant’s competing radioactive measuring device, kept locked from plaintiff’s view, the embodiment of defendant’s alleged wrongdoing in the present case was obviously readily available to plaintiff on the shelf of any well-stocked toy and game department. Furthermore, while a claim grounded in fraud may not accrue until the fraud is discovered, plaintiff’s claim against Milton Bradley based on Baron’s alleged misappropriation is not one for fraud.

Equally without merit is plaintiff’s contention that because its damages were assertedly “too speculative” in March or July 1974, its claims accrued “no earlier than the end of 1974.” Ptf.Br. at 49. The contention is based on the antitrust decision in *Zenith Radio Corp. v. Hazeltine Research Inc.*, 401 U.S. 321, 91 S.Ct. 795, 28 L.Ed.2d 77 (1971). While application of the doctrine outside the antitrust field is uncertain, we agree with Judge Sifton of this Court who dismissed a similar contention in an analogous context, observing that

“[i]t can hardly be said that plaintiff lacked reasonable grounds to believe that he would not be able to prove the nature and extent of his future damages”

if he had filed suit when the injury—publication of an allegedly misappropriated game—occurred. *Thee v. Parker Bros.*, Mem. at 10, No. 75 C 1554 (E.D.N.Y.March 9, 1978).

[19] Turning last to plaintiff’s claims that defendant’s marketing of King Oil violated the Lanhan Act, § 43(a), and constitutes unfair competition, we cannot agree that the Act encompasses plaintiff’s claim. The statute is concerned with affirmative misrepresentations about the nature or source of the goods a defendant has sold or offered or advertised for sale. See, e.g., *Fur Information & Fashion Council, Inc. v. E. F. Timme & Sons*,

Inc., 501 F.2d 1048, 1051-52 (2d Cir.), *cert. denied*, 419 U.S. 1022, 95 S.Ct. 498, 42 L.Ed.2d 296 (1974); *Alfred Dunhill, Ltd. v. Interstate Cigar Co.*, 499 F.2d 232 (2d Cir. 1974). Plaintiff has not pointed to any such misrepresentation, even assuming that defendant copied plaintiff's ideas. Nor can the Court accept plaintiff's attempt to emulate Procrustes and force its true injury, the alleged misappropriation of its ideas, into a claim for "reverse palming off" within § 43(a). There is simply no proof of any sort that defendant has ever used plaintiff's prototype or finished game to represent anything about King Oil. *See Commodore Import Corp. v. Hiraoka & Co., Ltd.*, 422 F.Supp. 628, 631 (S.D.N.Y.1976). For similar reasons plaintiff's contentions based on State law of unfair competition must fail, too. *See, e.g., Coca-Cola Co. v. Snow Crest Beverages, Inc.*, 64 F.Supp. 980 (D.Mass.1946), *aff'd*, 162 F.2d 280 (1st Cir.), *cert. denied*, 332 U.S. 809, 68 S.Ct. 110, 92 L.Ed. 386 (1947).

In summary, the Court holds that defendant is entitled to judgment as a matter of law because there is no genuine triable issue of fact that defendant returned plaintiff's Wildcat submission to plaintiff without it being examined by anyone connected with game development, and that it developed King Oil independently from plaintiff's submission, entirely on the basis of the Charlesworth submission of Oil Baron and its own refinements, and because no liability may be predicated upon the alleged misappropriations through Baron.

The parties will submit proposed forms of judgment within fifteen (15) days after receipt of a copy of this decision.

SO ORDERED.

**VERMONT CASTINGS, INC. v. EVANS PRODUCTS COMPANY,
GROSSMAN'S DIVISION, et al.**

Nos. 79-265 and 80-162

(United States District Court, D. Vermont—Decided July 28, 1981)

215 USPQ 758

[See also 215 USPQ 764 (D. Vt., Dec. 23, 1981)]

Consolidated actions by Vermont Castings, Inc., against Evans Products Company, Grossman's Division, and against Franklin Cast Products, Inc., for Lanham Act Section 43(a) violation and trademark infringement, in which defendants counterclaim and defend-

ant Franklin Cast Products, Inc. counterclaims against Imex Source, Inc., The Dutchwest India Group, Consolidated Foundry Industries, Ltd., Tradex Orient, Ltd., Dutchwest India, Ltd., and Dutchwest India, Inc. On defendants' motion for summary judgment. Motion denied.

TRADEMARKS

1. Fraud and misrepresentation

UNFAIR COMPETITION

Fraud, deception and palming off

Lanham Act Section 43(a) creates federal unfair competition remedy for misappropriation or misuse of some distinguishing characteristic of manufacturer's product; the characteristic need not be federally registered trademark; statute on its face proscribes common law tort of passing off one's goods or products for those of another; it also encompasses tort of unprivileged imitation; or common law trademark infringement, involving copying of any non-functional aspects of competitor's product which have acquired secondary meaning.

UNFAIR COMPETITION

2. Appearance of goods or labels—In general

Gist of tort of unprivileged imitation is that imitation of physical details and designs of competitor's product may be actionable if particular features imitated are nonfunctional and have acquired secondary meaning; but, where features are functional, there is normally no right to relief; functional, in this sense might be said to connote other than trademark purpose; if particular feature is important ingredient in commercial success of product, interest in free competition permits its imitation in absence of patent or copyright; on other hand, where feature or, more aptly, design, is mere arbitrary embellishment, a form of dress for goods primarily adopted for purposes of identification and individuality, and hence, unrelated to basic consumer demands in connection with product, imitation may be forbidden where requisite showing of secondary meaning is made; under such circumstances, since effective competition may be undertaken without imitation, law grants protection.

TRADEMARKS

3. Marks and names subject to ownership—Form and substance

UNFAIR COMPETITION

Appearance of goods or labels—Functional or nonfunctional

While stove appearance is obviously important selling feature, this alone does not satisfy test for functionality; rather case for functionality depends on showing that copying whatever design features plaintiff in action for tort of unprivileged imitation has chosen for its stoves serves number of utilitarian purposes essential to effective competition; on other hand, where shape or feature of construction is, in its concept, arbitrary, it may be or become legally recognizable trademark because there is no public interest to be protected; item or design that is in part incidentally functional is not necessarily precluded from being designated a trademark.

TRADEMARKS

4. Marks and names subject to ownership—Secondary meaning

Act of copying is indication of success of product on the market and may give rise to inference of secondary meaning.

TRADEMARKS

5. Fraud and misrepresentation

Benchmark for relief under Lanham Act Section 43(a) is likelihood of confusion among consumers as to source of accused manufacturer's product; while display of accused manufacturer's name may remove some confusion, this is not always determinative of confu-

sion issue; expectation of plaintiff as well as public that plaintiff's trademark motif is both unique and signifies fine craftsmanship associated with firm are preserved by protection of Lanham Act, notwithstanding outside labels identifying offending product as defendant's.

UNFAIR COMPETITION

6. Pleading and practice in courts—Motions—For summary judgment—In general

Fraud, deception and palming off

Common law unfair competition tort of unprivileged imitation has largely been subsumed into federal law of unfair competition; where defendants challenge plaintiff's common law claim on same grounds that they challenge federal claim, same reasons for denying defendants summary judgment on federal claim dictate like result with respect to common law claim.

COPYRIGHTS

7. In general

Section 301 of 1976 Copyright Act delineates extent to which that Act occupies field of copyright protection.

8. Matter copyrightable—Classes in statute

1976 Copyright Act Section 102 lists seven broad categories which concept of works of authorship is said to include; fifth category is pictorial, graphic and sculptural works; Section 101 defines pictorial, graphic and sculptural works, latter portion of definition of which was added to clarify distinction between works of applied art which are protectable under Copyright Act and industrial designs which are not; categories listed in Section 102 are illustrative and not limitative.

9. In general

Matter copyrightable—In general

Copyright protection would not extend to design features of stove that are inseparable from overall configuration so that there can be no preemption under Copyright Act Section 301 of common law remedies for protection.

PATENTS

10. Patent grant—Nature of patent rights—Comparison with copyrights, trademarks, and unfair competition

UNFAIR COMPETITION

Fraud, deception and palming off

Although Supreme Court suggested in *Compco Corp. v. Day-Brite Lighting, Inc.*, 140 USPQ 528, that common law of unprivileged imitation could not survive, this suggestion is rejected in Second Circuit; rationale for limiting Sears-Compco preemption doctrine lies in distinctive purposes served by common law of trademark infringement and federal law of patents; latter protects inventive activity which, after term of years, is dedicated to public domain; former protects commercial activity which, in our society, is essentially private.

Richard E. Davis, and Richard E. Davis Associates, Inc., both of Barre, Vt., and Robert J. Horn, Jr., Gilbert H. Hennessey, and Kenway & Jenney, all of Boston, Mass., for plaintiff.

Martin K. Miller, and Samuelson, Portnow, Miller & Eggleston, Ltd., both of Burlington, Vt., and Lawrence Rosenthal, and Blum, Kaplan, Friedman, Silberman & Beran, both of New York, N.Y., and Elliot A. Salter, and Salter & Michaelson, both of Providence, R.I., for defendants.

COFFRIN, *District Judge*. This is an action consolidating two suits for common law trademark infringement and unfair competition. Plaintiff, a manufacturer of two wood-burning stoves denominated the “Defiant” and the “Vigilant,” contends that defendants are importing, distributing, and selling a variety of stoves, marketed under the name “Scandia,” which incorporate the characteristic exterior appearance and design of plaintiff’s stoves. Plaintiff seeks damages and injunctive relief for unfair competition in violation of section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), and the common law of trademark infringement.¹

Defendant now moves for summary judgment. Conceding, for the purposes of this motion, that their “Scandia” line incorporates the ornamental design features of plaintiff’s stoves, defendants assert that there are no material facts in dispute and that we may grant them judgment as a matter of law on both of the grounds plaintiff asserts for recovery. For the reasons set forth below, defendants’ motion is denied in all respects.

I. Statutory Unfair Competition

[1] Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), provides:

Any person who shall affix, apply, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce, and any person who shall with knowledge of the falsity of such designation of origin or description or representation cause or procure the same to be transported or used in commerce or deliver the same to any carrier to be transported or used, shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin or in the region in which said locality is situated, or by any person who believes that he is or is likely to be damaged by the use of any such false description or representation.

This provision creates a federal unfair competition remedy for misappropriation or misuse of some distinguishing characteristic of a manufacturer’s product. The characteristic need not be a federally registered trademark. *Ives Laboratories, Inc. v. Darby Drug Co., Inc.*, 601 F.2d 631, 641, 202 USPQ 548, 556 (2d Cir. 1979); *Boston Professional Hockey Association, Inc. v. Dallas Cap & Emblem Manufacturing, Inc.*, 510 F.2d 1004, 1010, 185 USPQ 364, 367 (5th Cir. 1975), cert. denied, 423 U.S. 868, 187 USPQ 480 (1975). The statute on its face proscribes the common law tort of “passing off” one’s goods or products for those of another. *SK&F Co., v. Premo Pharmaceutical Laboratories, Inc.*, 625 F.2d 1055, 1065,

¹Although plaintiff also sought relief for design patent infringement under the federal patent laws, we recently granted plaintiff’s unopposed motion to dismiss this claim with prejudice. Accordingly, it is no longer before us for consideration.

206 USPQ 964, 973 (3d Cir. 1980). The statute also encompasses the tort of unprivileged imitation, or common law trademark infringement, involving the copying of any nonfunctional aspects of a competitor's product which have acquired a secondary meaning. *Id.*; *Ives*, 601 F.2d at 642-43, 202 USPQ at 557; *Truck Equipment Service Co. v. Fruehauf Corp.*, 536 F.2d 1210, 1215, 191 USPQ 79, 82 (8th Cir. 1976), cert. denied, 429 U.S. 861, 191 USPQ 588 (1976).

[2] Plaintiff here relies principally upon the tort of unprivileged imitation in its claim of unfair competition. The gist of the tort is well stated in *Pagliero v. Wallace China Co.*, 198 F.2d 339, 343 (2d Cir. 1963), quoted with approval in *Ives*, 601 F.2d at 642-43, 202 USPQ at 557, and *Truck Equipment*, 536 F.2d at 1217-18, 191 USPQ at 84-85:

Imitation of the physical details and designs of a competitor's product may be actionable, if the particular features imitated are "non-functional" and have acquired a secondary meaning. *Crescent Tool Co. v. Kilborn & Bishop Co.*, 2 Cir. 1917, 247 F. 299. But, where the features are "functional" there is normally no right to relief. "Functional" in this sense might be said to connote other than a trade-mark purpose. If the particular feature is an important ingredient in the commercial success of the product, the interest in free competition permits its imitation in the absence of a patent or copyright. On the other hand, where the feature or, more aptly, design, is a mere arbitrary embellishment, a form of dress for the goods primarily adopted for purposes of identification and individuality and, hence, unrelated to basic consumer demands in connection with the product, imitation may be forbidden where the requisite showing of secondary meaning is made. Under such circumstances, since effective competition may be undertaken without imitation, the law grants protection. [Footnotes omitted].

Defendants argue that the exterior designs of the "Vigilant" and the "Defiant" are aesthetically functional and therefore unprotected from imitation under section 43(a). They rely principally upon a passage from the First Restatement of Torts § 742, comment a (1938):

When goods are bought largely for their aesthetic value, their features may be functional because they definitely contribute to that value and thus aid the performance of an object for which the goods are intended. Thus, the shape of a bottle or other container may be functional though a different bottle or container may hold the goods equally well. A candy box in the shape of a heart may be functional, because of its significance as a gift to a beloved one, while a box of a different shape or the form in which a ribbon is tied around the box may not be functional * * *.

Defendants also rely on *Pagliero* where it was held that the design of hotel china, which was an essential if not primary selling feature of the china, was functional, thereby precluding Lanham Act relief. See *Pagliero*, 198 F.2d at 243-44.

[3] The analogy between the shape of a candy box or the design of hotel china and the exterior appearance of a wood stove is not a close one for our purposes. While stove appearance is obviously an important selling

feature, this alone does not satisfy the test for functionality. Rather, the case for functionality depends on a showing that copying whatever design features plaintiff has chosen for its stoves serves a number of utilitarian purposes essential to effective competition. See *Ives*, 601 F.2d at 643, 202 USPQ at 557. On the other hand, “where a shape or feature of construction is in its concept arbitrary, it may be or become a legally recognizable trademark because there is no public interest to be protected.” In *re Deister Concentrator Co.*, 289 F.2d 496, 506, 48 C.C.P.A. 952, 129 USPQ 314, 323 (1961), quoted with approval in *Truck Equipment*, 536 F.2d at 1218, 191 USPQ at 85. It is clear, moreover, that an item or design which is in part incidentally functional is not necessarily precluded from being designated a trademark. See *Truck Equipment*, 536 F.2d at 1218, 191 USPQ at 85; *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200, 203, 203 USPQ 161, 163 (2d Cir. 1979).

It is difficult to conceive of the arbitrary exterior design of plaintiff’s stoves as utilitarian. The design features are not essential to the functioning of the stove. That defendants have chosen to copy these design features may be indicative of their strong visual appeal. It is by no means an indication that effective competition is likely to be undermined should plaintiff receive the trademark protection sought. Accordingly, summary judgment for defendants on the ground of functionality of the exterior design trademark is not warranted.

[4] Defendants next maintain that the exterior design of plaintiff’s stoves was incapable of acquiring the requisite secondary meaning for trademark protection because of widespread imitation of the design by numerous third parties. The very act of copying, however, is an indication of the success of the product on the market and may give rise to an inference of secondary meaning. See *Le Sportsac, Inc. v. Dockside Research, Inc.*, 478 F. Supp. 602, 608–9, 205 USPQ 1055, 1061–1062 (S.D.N.Y. 1979). In any event, defendants’ contention raises an issue of fact inappropriate for disposition by summary judgment.

[5] Defendants also contend that, regardless of the validity of the alleged design trademark, relief under section 43(a) of the Lanham Act is precluded here because its stoves are all prominently labeled with the manufacturer’s name and the “Scandia” logo. This, defendants assert, is an absolute defense to the Lanham Act charges. Although plaintiff contests the assertion that all of defendant’s stoves are prominently labeled, we prefer to decide this matter on another basis. The benchmark for relief under § 43(a) of the Lanham Act is the likelihood of confusion among consumers as to the source of a manufacturer’s product. See *McGregor-Doniger, Inc. v. Drizzle Inc.*, 599 F.2d 1126, 1130, 202 USPQ 81, 86 (2d Cir. 1979); *Mushroom Makers, Inc. v. R.G. Barry Corp.*, 580 F.2d 44, 47, 199 USPQ 65, 66 (2d Cir. 1978), cert. denied, 439 U.S. 1116 (1979). While display of the manufacturer’s name may remove some confusion, see *Bose*

Corp. v. Linear Design Labs, Inc., 467 F.2d 304, 309-10, 175 USPQ 385, 389 (2d Cir. 1972), this is not always determinative of the confusion issue. Fisher Stoves, Inc. v. All Nighter Stove Works, 626 F.2d 193, 194-95 206 USPQ 961, 962-963. (1st Cir. 1980); T & T Manufacturing Co. v. A. T. Cross, Co., 449 F. Supp. 813, 822, 197 USPQ 763, 771 (D.R.I. 1978), aff'd, 587 F.2d 533 (1st Cir. 1978), cert. denied, 441 U.S. 908 (1979). See also Time Mechanisms, Inc. v. Qonaar Corp., 422 F. Supp. 905, 914-15 (D.N.J. 1976); Teledyne Industries, Inc. v. Windmere Products, Inc. 433 F. Supp. 710, 739, 195 USPQ 354, 377 (S.D.Fla. 1977); First Restatement of Torts § 741. In Truck Equipment, 536 F. 2d at 1220-21, 191 USPQ at 87-88, reliance upon the fact that the defendant labeled the offensive product as its own was held to be misplaced. In affirming the district court's finding that the defendant's imitation of plaintiff's grain trailer caused a likelihood of confusion in the marketplace, the Eighth Circuit found it relevant "that consumers were continually asking to determine what, if any, differences distinguished the products of the two companies." Id. at 1220, at 87. To paraphrase the holding in T & T Manufacturing Co., 449 F. Supp. at 823, 197 USPQ at 772, expectations of the plaintiff as well as the public that the plaintiff's trademark motif "is both unique and signifies the fine craftsmanship associated with that firm are preserved by the protection of the Lanham Act," notwithstanding outside labels identifying the offending product as the defendant's. Thus, summary judgment on the Lanham Act charges is unsuitable, even assuming that defendants' stoves are all prominently labeled with the "Scandia" logo and the manufacturer's name, as plaintiff may still demonstrate a likelihood of confusion.

II. Common Law Unfair Competition

[6] As noted above, the common law unfair competition tort of unprivileged imitation has largely been subsumed into the federal law of unfair competition. Defendants, of course, challenge plaintiff's common law claim on the same grounds that they challenge the federal claim. To this extent, the same reasons for denying defendants summary judgment on the federal claim dictate a like result with respect to the common law claim. Defendants argue in addition, however, that the relevant common law has been preempted by the federal law of patent and copyrights. We do not agree.

1. Preemption by the Copyright Act of 1976.

[7, 8] Section 301 of the Copyright Act of 1976, 17 U.S.C. § 301, delineates the extent to which the Act occupies the field of copyright protection:

(a) On and after January 1, 1978, all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106 in works of authorship that are fixed in a tangible medium of expression and come within the subject matter of copyright as specified by sections 102 and 103, whether created before or after that date and whether published or unpublished, are governed exclusively by this title. Thereafter, no person is entitled to any such right or equivalent right in any such work under the common law or statutes of any State.

(b) Nothing in this title annuls or limits any right or remedies under the common law or statutes of any State with respect to ____

(1) subject matter that does not come within the subject matter of copyright as specified by section 102 and 103 * * *

Section 102 of the Act lists seven broad categories which the concept of "works of authorship" is said to include. Defendants contend that the common law claim advanced by plaintiff is preempted by the Act because the exterior configuration of plaintiff's stoves fits within the scope of the fifth category: pictorial, graphic and sculptural works. The other categories are inapposite.²

In rejecting defendants' contention, we need not look beyond the Act itself and its legislative history. Section 101 defines "pictorial graphic and sculptural works" to include:

two-dimensional and three-dimensional works of fine, graphic, and applied art, photographs, prints and art reproductions, maps, globes, charts, technical drawings, diagrams, and models. Such works shall include works of artistic craftsmanship insofar as their form but not their mechanical or utilitarian aspects are concerned; the design of a useful article, as defined in this section, shall be considered a pictorial, graphic, or sculptural work only if, and only to the extent that, such design incorporates pictorial, graphic, or sculptural features that can be identified separately from, and are capable of existing independently of, the utilitarian aspects of the article.

The latter part of this definition was added to clarify the distinction between works of applied art which are protectable under the Copyright Act and industrial designs which are not. See Report of the House Judiciary Committee, H.R. Rep. No. 1476, 94th Cong., 2d Sess. 54-55, reprinted in 1976 U.S. Code Cong. & Ad. News 5659, 5667-68. The Committee Report elaborates upon this distinction:

A two-dimensional painting, drawing, or graphic work is still capable of being identified as such when it is printed on or applied to utilitarian articles such as textile fabrics, wallpaper, containers, and the like. The same is true when a statue or carv-

²Although the use of the word "include," as defined in section 101, makes clear that the categories listed in section 102 are "illustrative and not limitative," see H.R. Rep. No. 1476, 94th Cong. 2d Sess. 53, reprinted in 1976 U.S. Code Cong. & Ad. News 5659, 5666, defendants do not point us beyond the listing itself. We believe, in any event, that defendants' copyright preemption argument will stand or fall on whether or not the design configuration of plaintiff's stoves may be characterized under the Copyright Act, as a pictorial, graphic or sculptural work.

ing is used to embellish an industrial product or * * * is incorporated into a product without losing its ability to exist independently as a work of art. On the other hand, although the shape of an industrial product may be aesthetically satisfying and valuable, the Committee's intention is not to offer it copyright protection under the bill * * * [u]nless the shape * * * can be identified as separable from the utilitarian aspects of that article * * * The test of separability and independence from "the utilitarian aspects of the article" does not depend upon the nature of the design—that is, even if the appearance of an article is determined by esthetic (as opposed to functional) considerations, only elements, if any, which can be identified separately from the useful article as such are copyrightable. And, even if the three-dimensional design contains some such element (for example, a carving on the back of a chair or a floral relief design on silver flatware), copyright protection would extend only to the element, and would not cover the over-all configuration of the utilitarian article as such.

Id. at 5668.

[9] Defendants have not identified any elements of the design configuration of plaintiff's stoves which may be considered independent from the stoves themselves. We believe, rather, that the design features are inseparable from the overall configuration of the stoves. Because copyright protection would not extend to these features, there can be no preemption under § 301 of the Copyright Act of common law remedies for protection.

2. Preemption by the federal patent laws under the Sears—Compco doctrine.

[10] Defendants urge that *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 140 USPQ 524 (1964) and *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234, 140 USPQ 528 (1964) preclude relief for trademark infringement under the common law of unfair competition. This contention must be rejected. In *Sears—Compco*, the Supreme Court held that a state's unfair competition law may not, consistently with the federal patent laws, impose liability or prohibit the copying of an article that is protected by neither a federal patent nor a federal copyright. To forbid such copying would interfere with the federal policy "of allowing free access to copy whatever the federal patent and copyright laws leave in the public domain." *Compco*, 376 U.S. at 237, 140 USPQ at 530. Although the Supreme Court suggested in *Compco* that the common law of unprivileged imitation could not survive,³ this suggestion has been characterized by the

³ As we have said in *Sears*, while the federal patent laws prevent a State from prohibiting the copying and selling of unpatented articles, they do not stand in the way of state law, statutory or decisional, which requires those who make and sell copies to take precautions to identify their products as their own. A State of course has power to impose liability upon those who, knowing that the public is relying upon an original manufacturer's reputation

Eighth Circuit as dictum, *Truck Equipment*, 536 F.2d at 1214, 191 USPQ at 82, and has been rejected in this circuit. See *Dallas Cowboys Cheerleaders*, 604 F.2d at 204, 203 USPQ at 163. See also *Premo Pharmaceutical Laboratories*, 625 F.2d at 1064–65, 206 USPQ at 972 (“the state law tort of unprivileged imitation survives *Sears and Compco*”); *Le Sportsac*, 478 F. Supp. at 605–6, 205 USPQ at 1058–1059, *Rolls-Royce Motors Ltd. v. A & A Fiberglass, Inc.*, 428 F.Supp. 689, 692, 193 USPQ 35, 40 (N.D. Ga. 1977). The rationale for limiting the *Sears—Compco* preemption doctrine lies in the distinctive purposes served by the common law of trademark infringement and the federal law of patents. “The latter protects inventive activity which, after a term of years, is dedicated to the public domain. The former protects commercial activity which, in our society, is essentially private.” *Truck Equipment*, 536 F.2d at 1215, 191 USPQ at 82. Expanding upon this distinction, the Second Circuit noted in *Dallas Cowboys Cheerleaders*, 604 F.2d at 204, 203 USPQ at 164, that the stricture against allowing a state

to grant a monopoly to a producer where the federal government had specifically determined that free competition should prevail * * * does not apply in a trademark infringement action where the plaintiff does not assert exclusive rights to the sale of a product but merely to a mark indicating its origin or sponsorship. The question presented therefore is one of trademark law, and it is clear that *Sears—Compco* did not redefine the permissible scope of the law of trademarks insofar as it applies to origin and sponsorship.

Thus plaintiff’s common law claim of unfair competition and trademark infringement is not preempted by the federal patent law under *Sears—Compco*. Judgment for defendants on the ground of preemption is therefore inappropriate.

For the reasons set forth above, it is hereby ORDERED that defendants’ motion for summary judgement is DENIED in all respects.

for quality and integrity, deceive the public by palming off their copies as the original. That an article copied from an unpatented article could be made in some other way, that the design is “nonfunctional” and not essential to the use of either article, that the configuration of the article copies may have a “secondary meaning” which identifies the maker to the trade, or that there may be “confusion” among purchasers as to which article is which or as to who is the maker, may be relevant evidence in applying a State’s law requiring such precautions as labeling; however, and regardless of the copier’s motives, neither these facts nor any others can furnish a basis for imposing liability for or prohibiting the actual acts of copying and selling.

Compco, 376 U.S. at 238, 140 USPQ at 530. But see *Sears*, 376 U.S. at 232, 140 USPQ at 528: Doubtless a state may, in appropriate circumstances, require that goods, whether patented or unpatented, be labeled or that other precautionary steps be taken to prevent customers, from being misled as to the source, just as it may protect businesses in the use of their trademarks, labels, or distinctive dress in the packaging of goods so as to prevent others, by imitating such markings, from misleading purchasers as to the source of goods.

WARNER BROS., INC., Film Export, A.G., and DC Comics, Inc.,
Plaintiffs, v. **AMERICAN BROADCASTING COMPANIES, INC.,**
Defendant

AMERICAN BROADCASTING COMPANIES, INC., Defendant and
Third-Party Plaintiff, v. **STEPHEN J. CANNELL PRODUCTIONS,**
INC., Third-Party Defendant

No. 81 Civ. 1551 (CBM)

(United States District Court, S. D. New York—March 18, 1981)

523 F.Supp. 611. 211 USPQ 51

[See also 654 F.2d 204, 211 USPQ 97, *infra* (2d Cir.—*Affirmed and remanded*, July 17, 1981); 530 F.Supp. 1187, 215 USPQ 690, 46 C.O.Bull. 1382 (S.D.N.Y., Jan. 20, 1982); 222 USPQ 544, 47 C.O.Bull.____ (S.D.N.Y., Sept. 24, 1982); 720 F.2d 231, 222 USPQ 101, 47 C.O.Bull.____ (2d Cir.—*Affirmed*, Oct. 6, 1983)]

Action was brought by owners of all rights in cartoon character “Superman” against national television network for copyright infringement, false designation, and unfair competition, and television program producer was made third-party defendant. On motion for temporary restraining order and preliminary injunction, the District Court, Motley, J., held that owners failed to show that television network’s program “The Greatest American Hero,” which employed well-known postures and actions from Superman only to contrast them with bungling efforts of its leading character, an ordinary man who reluctantly took on abnormal activities through a magic costume and who was comically inept, was sufficiently similar to copyrighted interest in Superman to be entitled to a preliminary injunction.

Motion denied.

1. Copyrights and Intellectual Property

Upon showing of prima facie case of copyright infringement, a copyright holder is entitled to preliminary injunction without a detailed showing of irreparable harm.

2. Copyrights and Intellectual Property

In order to prevail on claim for copyright infringement, a plaintiff must prove ownership of copyrighted work, access thereto by defendant, and substantial similarity to copyrighted work.

3. Copyrights and Intellectual Property

Copyrights in cartoon character “Superman” did not entitle owners to protection of idea of character with superhuman powers who battles forces of evil.

4. Copyrights and Intellectual Property

Owners of all rights in cartoon character “Superman” could not claim protected interest in theme of man dressed in cape and tights who has power to fly, resist bullets, crash through walls and break handcuffs with his bare hands but, rather, to warrant preliminary injunc-

tion, owners had to show that concrete expression of "Superman" idea had been appropriated in television movie that allegedly infringed "Superman" copyright.

5. Copyrights and Intellectual Property

Where substantial similarity is found, slight differences between protected work and accused work are not enough to bar relief for copyright infringement and identity or even near identity between the two works is not required; however, numerous differences tend to undercut substantial similarity.

6. Copyrights and Intellectual Property

Owners of all rights in cartoon character "Superman" failed to show that television movie "The Greatest American Hero," which employed well-known postures and actions from "Superman" only to contrast them with bungling efforts of its leading character, an ordinary man who reluctantly took on abnormal abilities through a magic costume and who was comically inept, was sufficiently similar to copyrighted interest in "Superman" to be entitled to preliminary injunction.

7. Copyrights and Intellectual Property

References made to "Superman" and use of "superman's" traits in television movie "The Greatest American Hero," which took some copyrighted "Superman" material and used it as springboard to create independent intellectual property, and which as comedy that parodied American superheroes had very different appeal from "Superman," constituted fair use of copyrighted works, and thus owners were not entitled to preliminary injunctive relief against showing of television movie. 17 U.S.C.A. § 107.

8. Copyrights and Intellectual Property

Fair use is a privilege in others than owner of copyright to use copyrighted material in reasonable manner without his consent, notwithstanding monopoly granted owner by copyright. 17 U.S.C.A. § 107.

9. Copyrights and Intellectual Property

Fact that use of attributes of "Superman" in television movie "The Greatest American Hero" was for commercial gain did not preclude television movie's protection under fair use doctrine. 17 U.S.C.A. § 107.

10. Trade Regulation

Touchstone of both false designation of origin under the Lanham Act and unfair competition under New York law is likelihood that prospective purchasers or viewers will be misled or confused by defendant's use of trademark in question. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a); N.Y. General Business Law § 368-d.

11. Trade Regulation

Crux of claim under Lanham Act is whether there is any substantial likelihood that appreciable number of ordinarily prudent purchasers are likely to be misled or confused as to source of product in question. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

12. Trade Regulation

Although it was very unlikely that viewers of "The Greatest American Hero" would believe that movie was created, or sponsored or produced by owners of rights in cartoon character "Superman," court required written and oral notice that film about to be shown on television was not created by, sponsored by, or connected with creators, producers or distributors of "Superman" to insure that viewers would not be misled or confused as to source of product. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a); N.Y. General Business Law § 368-d.

13. Trade Regulation

Owners of all rights in cartoon character "Superman," who had not established that television show "The Greatest American hero" was attempt to pass or palm off owners' work or that it diluted distinctiveness of "Superman" trade-mark, and who had not shown that continuing use of movie would inexorably have adverse effect upon value of their mark, had not established likelihood of success on merits of their unfair competition and trademark infringement claims and thus were not entitled to preliminary injunction against showing of pilot television movie. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a); N.Y. General Business Law § 368-d.

14. Trade Regulation

Owners of all rights in cartoon character "Superman" failed to establish that potential harm to them if pilot television movie "The Greatest American Hero" was shown was decidedly greater than potential harm to television network if pilot was enjoined where their claim that they would be harmed by showing of movie because their profits on "Superman" products would be reduced was at best speculative, and thus owners were not entitled to preliminary injunction against showing of pilot movie.

Weiss, Dawid, Fross, Zelnick & Lehrman by Allan Zelnick, New York City, for plaintiffs.

Hawkins, Delafield & Wood by Philip R. Forlenza, New York City, for defendant and third-party plaintiff.

Townley & Updike by Richard J. Barnes and Neil J. Rosini, New York City, for third-party defendant.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

MOTLEY, *District Judge*. Plaintiffs, Warner Bros., Inc., Film Export A.G. and DC Comics, Inc., the owners of all rights in the cartoon character Superman and all works embodying him, brought this action against American Broadcasting Companies, Inc. (ABC) for copyright infringement under 17. U.S.C. §§ 101 *et seq.*, for false designation under § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), and for unfair competition under § 368-d of the New York General Business Law. Stephen V. Cannell Productions was brought into the action as a third party defendant. Plaintiffs moved two days ago, March 16, 1981, for a temporary restraining order and preliminary injunction enjoining the defendant: 1) from continuing to broadcast certain promotional television spots relating to its forthcoming made-for-television motion picture "The Greatest American Hero;" 2) from broadcasting the motion picture now scheduled for nationwide broadcast on the evening of Wednesday, March 18, 1981; and 3) from broadcasting any episodes of a television series based on "The Greatest American Hero" prior to affording plaintiffs opportunity to examine the shows and to seek appropriate relief. The court held a hearing on plaintiffs' motion on March 16 and 17 which included viewing a portion of a Superman television show, the entire movie entitled "Superman, The Movie", television spots which ABC has aired to promote "The

Greatest American Hero,” and “The Greatest American Hero.” The court also heard testimony of witnesses and received exhibits and affidavits from both parties. For the reasons discussed below, the court denies plaintiffs’ motion for a preliminary injunction.

FACTS

Plaintiff Warner Bros., Inc. is the exclusive United States distributor of the motion picture “Superman, The Movie” and of the forthcoming sequel “Superman II,” all rights in which are owned by plaintiff Film Export A.G. Plaintiff DC Comics, Inc. is the owner of all rights in the cartoon character Superman and in works depicting that character and his adventures. The motion pictures “Superman, The Movie” and “Superman II” were made by the plaintiff Film Export A.G. under license from DC Comics, Inc. Pursuant to that license, Film Export also has the right to veto any new Superman television programs or series while its films are in release.

Defendant, ABC, is a national television network with affiliated stations throughout the United States. Steven V. Cannell Productions, the Third Party Defendant, is a producer of television programs with an exclusive contract with ABC. Steven V. Cannell wrote and produced the made-for-television movie “The Greatest American Hero” for broadcast by ABC on March 18, 1981.

In the forty years since his creation by the predecessors of DC Comics, Superman has become a “folk hero” to the American public, both in cartoon form and portrayed by live actors. There is no need for this court to give a detailed description of this caped, flying character with superhuman powers, who when not fighting for “truth, justice and the American way,” masquerades as the “mild mannered reporter,” Clark Kent. Superman’s ability to fly “faster than a speeding bullet” and “leap tall buildings in a single bound” is well known to all Americans.

“The Greatest American Hero” is a new made-for-television movie that, if successful, will be the first show in a series in ABC’s fall programming schedule. Excerpts from this premiere program and other film clips have been telecast by ABC for promotional purposes during the last two weeks. The leading character of “The Greatest American Hero” is Ralph Hinkley. He is an urban California high school teacher plagued both personally and professionally with the problems now indigenous to the average American John Doe of the 1980’s. While walking through a semi-desert area at night to find gasoline for his suddenly stalled school bus, he is inexplicably chosen by unidentified aliens from a spaceship to receive a leotard type red suit and black cape which, when worn, endow him with superhuman powers. Unfortunately, Hinkley loses the instructions on how to use these powers and he bungles nearly every attempt to exercise his new abilities.

The plot of the program follows Hinkley's mission accompanied by an FBI agent and his girl friend, to stop a villain from taking over the city of Los Angeles.

DISCUSSION

[1] The standard for granting a preliminary injunction is well-settled in this Circuit. The party seeking this relief must show both irreparable injury and either 1) a likelihood of success on the merits or 2) sufficiently serious questions going to the merits to make them a fair ground for litigation and a balance of hardships tipping decidedly in its favor. *Jackson Dairy Inc. v. H.P. Hood & Sons, Inc.*, 596 F.2d 70, 72 (2d Cir. 1979). Upon the showing of a prima facie case of copyright infringement, a copyright holder is entitled to a preliminary injunction without a detailed showing of irreparable harm. *American Metropolitan Enterprises of New York, Inc. v. Warner Bros. Records, Inc.*, 389 F.2d 903, 905 (2d Cir. 1968). This court need not consider whether plaintiffs will suffer irreparable injury, however, since it finds that plaintiffs have failed to meet their burden of showing likelihood of success on the merits or a balance of hardships tipping decidedly in their favor.

1. The Merits

a) Copyright Infringement

Plaintiffs claim that "The Greatest American Hero" infringes their copyright in the Superman character by appropriating precisely those attributes that are unique to Superman. Plaintiffs point to Superman's unique take-off preliminary to flying, his singular flying technique, his powers of "X-ray vision", long distance hearing, superhuman strength and ability to resist bullets which Ralph Hinkley acquires when he dons the magic suit, as well as certain action details such as the manner in which Hinkley transforms himself from human to superhuman by putting on the suit.

In addition, plaintiffs say their copyrights are infringed by certain references made to well-known phrases found in the Superman adventures, such as: "It's a bird, it's a plane" and "faster than a speeding bullet, more powerful than a locomotive."

[2] In order to prevail on its claim for copyright infringement a plaintiff must prove 1) ownership of the copyrighted work; 2) access thereto by defendants; and 3) a substantial similarity to the copyrighted work. *Durham Industries, Inc. v. Tomy Corp.*, 630 F.2d 905, 911 (2d Cir. 1980). the only dispute between the parties in this case is whether "The Greatest American Hero" bears a substantial similarity to the Superman character and story.

The Second Circuit's formulations of the test for determining substantial similarity were set forth in *Novelty Textile Mills, Inc. v. Joan Fabrics Corp.*, 558 F.2d 1090, 1092-93 (2d Cir. 1977) and recently quoted in *Durham Industries v. Tomy Corp.*, *supra*, 630 F.2d at 911-912;

"'Substantial similarity' is to be determined by the 'ordinary observer' test. Judge Learned Hand in defining this test stated there is substantial similarity where 'the ordinary observer, unless he set out to detect the disparities, would be disposed to overlook them, and regard their aesthetic appeal as the same.' *Peter Pan Fabrics, Inc. v. Martin Weiner Corp.*, 274 F.2d 487, 489 (2d Cir. 1960). More recently this court formulated the test as 'whether an average lay observer would recognize the alleged copy as having been appropriated from the copyrighted work.' *Ideal Toy Corp. v. Fab-Lu Ltd.*, 360 F.2d 1021, 1022 (2d Cir. 1966)."

After comparing Ralph Hinkley and Superman, the court concludes that plaintiffs have not satisfied this test.

[3, 4] Plaintiffs' copyrights do not entitle them to protection of the *idea* of a character with superhuman powers who battles the forces of evil. "It is an axiom of copyright law that the protection granted to a copyrightable work extends only to the particular expression of an idea and never to the idea itself." *Reyher v. Children's Television Workshop*, 533 F.2d 87, 90 (2d Cir.), *cert. denied*, 429 U.S. 980, 97 S.Ct. 492, 50 L.Ed.2d 588 (1976). The Court of Appeals recognized in the early days of the Superman comic strip that the owners of Superman were "not entitled to a monopoly of the mere character of a 'Superman' who is a blessing to mankind." *Detective Comics, Inc. v. Bruns Publications, Inc.*, 111 F.2d 432, 434 (2d Cir. 1940). Plaintiffs may not claim a protected interest in the theme of a man dressed in cape and tights who has the power to fly, resist bullets, crash through walls and break handcuffs with his bare hands. Rather, to warrant an injunction, plaintiffs must show that the concrete expression of the Superman idea has been appropriated in defendants' program.

While the idea/expression distinction is crucial "in delineating the scope of protection to be afforded a copyrighted work, it is a 'difficult task . . . to distill the nonprotected idea from the protected expression.' " *Durham Industries, Inc. v. Tomy Corp.*, *supra*, 630 F.2d at 912, quoting *Reyer v. Children's Television Workshop*, *supra*, 533 F.2d at 91. Such determinations must inevitably be *ad hoc* and often a matter of degree. *Id.* There are several attributes and actions of the Superman character and phrases from the Superman adventures used in "The Greatest American Hero" which are uniquely associated with Superman rather than with the idea of a superhero in general. Examples are scenes of Hinkley cruising over the city at night in a pose similar to that of Superman; lifting a car with one hand to impress his girlfriend, reminiscent of a scene in "Superman, The Movie" in which Superman while still an infant saves his new-found father from injury by lifting the family's truck; and saying to himself while gazing in a mirror after first putting on the magic suit, "It's a

bird, it's a plane, it's Ralph Hinkley." In addition, there are several references to the Superman characters Clark Kent and Lois Lane. Hinkley tells his girl friend that she is more fortunate than Lois because the latter never learned Clark Kent's true identity and the girl friend states to Hinkley's FBI partner that she is accompanying them to do the Lois Lane jokes.

Plaintiffs further claim that certain superman adventures depicted in the movie Superman have been appropriated by defendants.

[5] A comparison of the characters Ralph Hinkley and Superman and their respective stories reveals, however, that they are so dissimilar as to preclude a finding of substantial similarity. "Even as to protected aspects of a work, it should be emphasized that under the law only *substantial* similarity will support a determination of infringement." *Durham Industries, Inc. v. Tomy Corp.*, *supra*, 630 F.2d at 913 (emphasis in original). It is true that where substantial similarity is found, slight differences between a protected work and an accused work are not enough to bar relief for infringement and that identity or even near identity between the two works is not required. The ordinary observer test focuses on the similarities and not the differences. However, this Circuit has also recognized that "numerous differences tend to undercut substantial similarity." *Id.*; *Herbert Rosenthal Jewelry Corp. v. Honora Jewelry Co.*, 509 F.2d 64, 65 (2d Cir. 1974).

[6] Ralph Hinkley and Superman are very different characters and the differences between them lie in attributes that are essential to the portrayal of each. Hinkley is an ordinary man who reluctantly takes on abnormal abilities through the magic costume and is comically inept. Superman is naturally endowed with superhuman powers which he wields with grace and confidence. Hinkley is slight of build, non-muscular, informally dressed, weak chin, and has long blond corkscrew curls. We all know that this is the antithesis of the Superman character image. Moreover, Hinkley's personal life is in an unmanly shambles whereas our Superman is a "square." When Hinkley flies he collides with buildings; it takes a couple of bungling attempts before Hinkley can crash through a wall. While Hinkley is impervious to bullets, he at first cowers and trembles when the villains fire at him. Hinkley does not perform his superhuman feats in the same manner in which Superman performs. Similarly, references made to the Superman characters Clark Kent and Lois Lane and to famous Superman slogans are made in order to contrast Ralph Hinkley and Superman. Indeed, all the takings from Superman are portrayed in "The Greatest American Hero" in a way that humorously make the point that Ralph Hinkley cannot measure up to Superman. Such use cannot be characterized as substantially similar to the copyrighted material.

[7, 8] The court also holds plaintiffs are not entitled to injunctive relief since references made to Superman and uses of Superman's traits in "The

Greatest American Hero” constitute a fair use of plaintiffs’ copyrighted works. Fair use is “a privilege in others than the owner of the copyright to use the copyrighted material in a reasonable manner without his consent, notwithstanding the monopoly granted to the owner by the copyright.” *Rosemont Enterprises, Inc. v. Random House, Inc.*, 366 F.2d 303, 306 (2d Cir. 1966), *cert. denied*, 385 U.S. 1009, 87 S.Ct. 714, 17 L.Ed.2d 546 (1967). Section 107 of the Copyright Act of 1976, 17 U.S.C. § 107, codified the common law doctrine of fair use and sets forth the scope of this doctrine, as well as several criteria to be considered. It provides:

“Notwithstanding the provisions of section 106, the fair use of a copyrighted work, including such use by reproduction in copies or phono-records or by any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include—

- (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
- (2) the nature of the copyrighted work;
- (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- (4) the effect of the use upon the potential market for or value of the copyrighted work. (17 U.S.C. Section 107).

Defendants contend that “The Greatest American Hero” is a parody of “Superman.” It takes some of the copyrighted Superman material and uses it as a springboard to create an independent intellectual property. In the leading case, *Berlin v. E. C. Publications, Inc.*, 329 F.2d 541, 545 (2d Cir.), *cert. denied*, 379 U.S. 822, 85 S.Ct. 46, 13 L.Ed.2d 33 (1964), the Court of Appeals recognized the legitimate use of copyrighted material in an incongruous manner in order to evoke a laugh. “The humorous effect achieved when a familiar line is interposed in a totally incongruous setting, traditionally a tool of parodists, scarcely amounts to a ‘substantial’ taking, if that standard is not to be woodenly applied.” The Court held that where the parody has neither the intent nor the effect of fulfilling the demand for the original and where the parodist does not appropriate a greater amount of the original work than is necessary to conjure up the object of the parody, a finding of infringement is improper. *Id.* The Court of Appeals recently affirmed this freedom accorded to parodies in a short per curiam opinion unholding the district court’s decision that a song in a television comedy skit, “I Love Sodom” to the tune of “I Love New York,” was protected fair use, stating that “in today’s world of often unrelieved solemnity, copyright law should be hospitable to the humor of parody. . . .” *Elsmere Music v. National Broadcasting Co.*, 623 F.2d 252, 253 (2d Cir. 1980).

The story of Ralph Hinkley, an average citizen whose life becomes humorously complicated by his inept management of superhuman powers, pokes fun at Superman and other characters in the superhero genre. As a comedy that parodies American superheroes, "The Greatest American Hero" has a very different appeal from Superman, a real superhero, and plaintiffs have not sufficiently proven that it will reduce demand for movies and programs about Superman, and products bearing the Superman image.

The court also finds that defendants did not make more extensive uses of the original than was necessary to recall or conjure up Superman. As stated above, "The Greatest American Hero," employs well-known slogans, postures and actions from Superman only to contrast them with the bungling efforts of Ralph Hinkley:

"[t]he concept of 'conjuring up' an original came into the copyright law not as a limitation on how much of an original may be used, but as a recognition that a parody frequently needs to be more than a fleeting evocation of an original in order to make its humorous point. . . . A parody is entitled at least to 'conjure up' the original. Even more extensive use would still be fair use, provided the parody builds upon the original, using the original as a known element of modern culture and contributing something new for humorous effect or commentary."

Elsmere Music v. National Broadcasting Co., *supra*, 623 F.2d at 253 n. 1 (citation omitted).

[9] Plaintiffs' argument that the fact that defendants' use of Superman's attributes was for commercial gain precludes protection under the fair use doctrine is not persuasive. Such an argument was expressly rejected in *Berlin v. E. C. Publications, Inc.*, *supra*, 329 F.2d at 543, and by implication in *Elsmere Music v. National Broadcasting Co.*, *supra*, which involved a television show produced for commercial profit.

In sum, the court holds that plaintiffs have not met their burden of showing that there is a substantial likelihood that they will succeed on the merits as to their copyright infringement claim since they have not sufficiently established that defendants' program "The Greatest American Hero" is substantially similar to plaintiffs' copyrighted interest in Superman.

b) Lanham Act and Unfair Competition Claims

[10] In addition to their claim that defendants are guilty of copyright infringement, plaintiffs contend that defendants' program and advertisements violate state and federal unfair competition law. The touchstone of both false designation of origin under the Lanham Act and unfair competition under New York law is the likelihood that prospective purchasers or viewers will be misled or confused by the defendant's use of the

trademark in question. *Menley & James Laboratories, Ltd. v. Approved Pharmaceutical Corp.*, 438 F.Supp 1061, 1066 (N.D.N.Y.1977). The ordinary observer/substantial similarity test that this court applied in considering plaintiff's copyright infringement claim, then, is very close to the standard used in unfair competition cases. See, *Ideal Toy Corp. v. Kenner Products Division of General Mills Fun Group Inc.*, 443 F.Supp. 291, 306 (S.D.N.Y. 1977). The court need not repeat the details of its discussion of the similarities and differences in plaintiffs' and defendants' works.

[11, 12] The crux of a claim under the Lanham Act is whether there is any substantial likelihood that an appreciable number of ordinarily prudent purchasers are likely to be misled or confused as to the source of the product in question. *McGregor-Doniger Inc. v. Drizzle Inc.*, 599 F.2d 1126, 1130 (2d Cir. 1979). It is very unlikely that the viewers of "The Greatest American Hero" will believe that the movie was created, or sponsored, or produced by the owners of Superman. To make absolutely sure, however, the court will require a written and oral notice that the film about to be shown is not created by, sponsored by, or connected with the creators, producers, or distributors of Superman.

To the extent that the defendants' promotion spots have used concept or trait unique to Superman, plaintiffs may be entitled to damage after trial.

[13] Neither have plaintiffs established that defendants' show was an attempt to pass off or palm off plaintiffs' work or that it dilutes the distinctiveness of the Superman trademark. Again, the essential distinctions between Ralph Hinkley and Superman which defendants purposely convey in their movie defeat these unfair competition claims. Defendants have not attempted to fraudulently misrepresent that their program is produced by or otherwise associated with the producers of the Superman movies, television shows and comics. See *Hygienic Specialties Co. v. H. G. Salzman, Inc.*, 302 F.2d 614 (2d Cir. 1962); *Remco Industries, Inc. v. Toyomenka, Inc.*, 286 F.Supp. 948 (S.D.N.Y.), *aff'd*, 397 F.2d 977 (2d Cir. 1968). Plaintiffs have not shown the gravamen of a dilution complaint that the continuing use of defendants' mark will inexorably have an adverse effect upon the value of plaintiffs' mark because if plaintiffs' mark is not protected it will eventually be deprived of its distinctiveness. See *King Research, Inc. v. Shulton, Inc.*, 324 F.Supp. 631, 638 (S.D.N.Y.1971), *aff'd*, 454 F.2d 66 (2d Cir. 1972). New York courts in applying the anti-dilution statute, § 368-d of the New York General Business Law, have often depended upon some confusion or deception where injunctive relief has been awarded. *Id.* at 639. Accordingly, the court finds that plaintiffs have not established a likelihood of success on the merits of their unfair competition and trademark infringement claims, as to defendants' pilot since the important differences between the characters, from which the humor of "The Greatest American Hero" is derived, make it highly unlikely that the viewing public will be confused or deceived.

2. The Balance of Hardships

[14] Plaintiffs may prevail under the second prong of this Circuit's standard for granting a preliminary injunction if they show irreparable injury, sufficiently serious questions going to the merits to make them a fair ground for litigation, and a balance of hardships tipping decidedly in their favor. Although this case involves questions that are fair ground for litigation, the court finds that plaintiffs have not established that the potential harm to them if defendants' pilot is shown is decidedly greater than the potential harm to defendants if the pilot is enjoined.

Plaintiffs ask this court to enjoin a scheduled nationwide television program on the very eve of broadcast. Defendants, as the evidence disclosed, have spent millions on the production and promotion of "The Greatest American Hero." Press releases about the pilot went out as early as January, 1981, and promotional spots have been regularly aired on television since February 28 and with intensity since that time. Yet plaintiffs have waited until two days before the pilot was scheduled to go on the air to seek this drastic relief.

Defendants' evidence showed that a last minute stopping of their television movie will injure them by damaging their relations with their affiliates and putting them in an unfavorable light with the public who will turn on their television sets tonight expecting to watch the premiere of "The Greatest American Hero." ABC also stands to lose millions of dollars in advertising revenues. In addition, ABC hopes to use the ratings of the program scheduled for broadcast tonight as a basis for its determination of whether to put "The Greatest American Hero" in its new fall programming schedule.

On the other hand, plaintiffs' claims that they will be harmed by the showing of "The Greatest American Hero" because their profits on the distribution of "Superman II" will be decreased and interest in Superman television shows, comic books and products will be reduced is at best speculative and is not supported by any convincing evidence at this juncture.

For all the reasons discussed above, plaintiff's motion for preliminary injunction is DENIED.

WARNER BROS., INC., Film Export, A.G., and DC Comics, Inc.,
Plaintiffs-Appellants, v. **AMERICAN BROADCASTING COM-
PANIES, INC.,** Defendant-Appellee, v. **STEPHEN J. CANNELL PRO-
DUCTIONS,** Third-Party Defendant-Appellee

No. 1366, Docket 81-7192

*(United States Court of Appeals, Second Circuit—Argued April 23,
1981—Decided July 17, 1981)*

654 F.2d 204. 211 USPQ 97

[See also 523 F.Supp. 611, 211 USPQ 51, and *supra* (S.D.N.Y., Mar. 18, 1981); 530 F.Supp. 1187, 215 USPQ 690, 46 C.O.Bull.1382 (S.D.N.Y., Jan. 20, 1982); 222 USPQ 544, 47 C.O.Bull.____ (S.D.N.Y., Sept. 24, 1982); 720 F.2d 231, 222 USPQ 101, 47 C.O.Bull.____ (2d Cir.—*Affirmed*, Oct. 6, 1983)]

In a suit for copyright infringement and unfair competition, preliminary injunctive relief was denied by order of the United States District Court for the Southern District of New York, Constance Baker Motley, J. An appeal was taken by the plaintiff. The Court of Appeals, Meskill, Circuit Judge, held that: (1) trial judge was not shown to have placed undue emphasis upon disparities and to have disregarded what otherwise would be deemed substantial similarity between "Hero" and "Superman," and trial judge could properly find, for purposes of temporary injunctive relief, that there was no infringement of "Superman" by use of "Hero," and (2) trial judge did not abuse discretion in determining that it was unlikely that public could be confused as to origin of "Hero" despite claim of unfair competition with "Superman."

Affirmed and action remanded.

1. Copyrights and Intellectual Property

Copying may be inferred where plaintiff in copyright infringement suit establishes that defendant had access to copyrighted work and that the two works are substantially similar. 17 U.S.C.A. § 501(b).

2. Copyrights and Intellectual Property

General test for determining substantial similarity with copyrighted work is whether average lay observer would recognize alleged copy as having been appropriated from copyrighted work. 17 U.S.C.A. § 501(b).

3. Copyrights and Intellectual Property

Copyright protection only extends to expression of other's idea, and not to idea itself, and thus in determining whether two works are so substantially similar as to reveal infringement, courts must decide whether similarities shared by works are something more than mere generalized ideas or themes. 17 U.S.C.A. §§ 102(b), 501(b).

4. Copyrights and Intellectual Property

Trial judge in denying temporary injunctive relief was not shown to have placed undue emphasis upon disparities and to have disregarded what otherwise would be deemed substantial

similarity between "Hero" and "Superman," and trial judge could properly find that there was no likelihood of success in proving infringement of "Superman" by use of "Hero." 17 U.S.C.A. §§ 102(b), 501(b).

5. Copyrights and Intellectual Property

Parody defense might be applicable to those isolated instances in which a nearly identical line from plaintiffs' script, or express reference to one of plaintiffs' characters was made, but defense could not necessarily be used to shield entire work that is substantially similar to and in competition with copyrighted work. 17 U.S.C.A. § 501(b).

6. Trade Regulation

Trial judge did not abuse discretion in determining for purposes of temporary injunctive relief that it was unlikely that public could be confused as to origin of "Hero," despite claim of unfair competition with "Superman." Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

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Philip R. Forlenza, New York City (Hawkins, Delafield & Wood, New York City, of counsel), for defendant-appellee American Broadcasting Companies, Inc.

Weiss, Dawid, Fross, Zelnick & Lehrman, New York City, of counsel for plaintiffs-appellants DC Comics, Inc. and Film Export, A.G.

Townley & Updike, New York City, of counsel, for third-party defendant-appellee Stephen J. Cannell Productions.

Before MOORE and MESKILL, Circuit Judges and MacMAHON, District Judge.*

MESKILL, Circuit Judge. This is an appeal from an order entered in the United States District Court for the Southern District of New York, Motley, J., which denied a motion made by plaintiffs, Warner Bros., Inc., Film Export, A.G., and DC Comics, Inc., for a preliminary injunction and temporary restraining order to enjoin the defendant, American Broadcasting Companies, Inc. (ABC), from (1) broadcasting certain promotional television spots relating to its series entitled "The Greatest American Hero" (Hero); (2) broadcasting the premiere of Hero; and (3) broadcasting any episode of Hero prior to affording the plaintiffs an adequate opportunity to examine the work and to seek appropriate relief. Plaintiffs alleged that ABC's Hero and related promotional campaign infringed their copyrights in the popular character Superman in violation of 17 U.S.C. § 501(b) (1976). Plaintiffs also alleged that Hero was likely to confuse the public into believing that Hero was either made, sponsored, or

*Honorable Lloyd F. MacMahon, Chief Judge, United States District Court for the Southern District of New York, sitting by designation.

licensed by plaintiffs, and thus constituted unfair competition in violation of state law and § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a)(1976). Judge Motley denied the motion, holding that plaintiffs had failed to carry their burden of demonstrating either a likelihood of success on the merits or sufficiently serious questions going to the merits to make them a fair ground for litigation and a balance of hardships tipping decidedly in their favor. For the reasons set forth, we affirm.

BACKGROUND

Plaintiffs are the owners of the copyrights and other rights in the character Superman and the works embodying him, including comic books depicting the cartoon character Superman; television series depicting Superman in animated and unanimated features; and the motion picture "Superman, The Movie." The plaintiffs have enjoyed remarkable commercial success for over forty years; they have derived substantial revenue from both domestic and international commercial exploitation of Superman.

The character "evolved" over the years in comic strips, cartoons, television shows, and motion pictures under the ostensible protection of copyright. A glance at the record, for example, reveals that originally Superman was only capable of leaping in the position of a hurdler over tall buildings, while in a recent film version, "Superman, The Movie," the character is shown demonstrating an apparently later-acquired power of self-propelled flight; Superman assumes a more sophisticated and streamlined style, flying in the prone position, with arms extended in front of him and red cape billowing in the wind.

The entire fictional biographical account of Superman is retold in "Superman, The Movie." The character is depicted as a superhuman being from a fictional planet, Krypton, who was sent to earth to escape the fatal consequences of the imminent destruction of his planet. Superman is found by the Kents, a midwestern couple, who name the boy Clark and raise him as their son in a bucolic setting. The Kents instill in Clark a strong sense of moral conviction and faith in the "American way," and counsel the boy not to reveal his superhuman powers to anyone. Clark matures into a tall, well-built, dark-haired, and strikingly handsome young man. Ultimately, Clark leaves his pastoral home, finding himself drawn by a mysterious force to a place where he encounters the image of his deceased father, Jor-El. There, Jor-El informs him of his true identity and instructs him to use his superpowers to protect the world from evil. Clark emerges from his fantastic encounter with Jor-El wearing for the first time his Superman costume—a skin-tight blue leotard with red briefs, boots and cape, and a large "S" emblazoned in red and gold upon the chest and cape.

Clark subsequently obtains a position as a reporter for the *Daily Planet*, but reveals his true identity to no one, assuming instead the appearance of a shy, bumbling, but well-intentioned young man. There he soon meets and becomes infatuated with a beautiful colleague, Lois Lane. Later he appears clad in his Superman regalia to perform amazing feats of strength and courage which immediately attract wide attention, acclaim, and the amorous interest of Lois Lane.

Superman is continually confronted by villains in all of his adventures, but eventually overcomes all evil opponents by exploiting his superpowers of self-propelled flight, imperviousness to bullets, blinding speed, X-ray vision, fantastic hearing, and seemingly immeasurable strength. He fights for "TRUTH, JUSTICE AND THE AMERICAN WAY" and is often described as "FASTER THAN A SPEEDING BULLET" "MORE POWERFUL THAN A LOCOMOTIVE," and "ABLE TO LEAP TALL BUILDINGS IN A SINGLE BOUND." A. 518. For decades, startled pedestrians in comic strips have shouted, "LOOK, UP IN THE SKY . . . IT'S A BIRD . . . IT'S A PLANE . . . IT'S SUPERMAN!"

In January 1981, defendant ABC issued press releases and began to run promotional spots for the premier of *Hero*. *Hero* was created and produced by Stephen J. Cannell Productions (Cannell), which was impleaded pursuant to a contractual indemnification agreement by ABC in this action as a third-party defendant.

The protagonist in *Hero*, Ralph Hinkley, is portrayed as a young high school teacher who is trying to cope with a recent divorce, a resultant dispute over the custody of his son, and the strain that his domestic problems place upon his work and his relationship with an attractive girlfriend. Hinkley's physical attributes are far from extraordinary; he is of medium height, and has a scrawny build and curly blond hair. According to the testimony of his creator, Hinkley is intended to typify the "ordinary guy."

In the premiere episode of *Hero*, Hinkley's van breaks down en route to a high school field trip in the desert. While walking along a road in search of help, Hinkley is nearly run over by an out-of-control automobile driven by Bill Maxwell, an American undercover agent. Maxwell has been searching the desert for his missing FBI partner who, unbeknownst to Maxwell, has been murdered by a band of extremists. Maxwell and Hinkley are suddenly approached by a brightly glowing spaceship from which descends the image of Maxwell's deceased partner. Hinkley is handed a magical caped costume—a red leotard with a tunic top, no boots, and a black cape—which, when worn, endows him with fantastic powers. Unfortunately, however, Hinkley loses the instruction book that accompanied the intergalactic gift and is left only with the verbal instruction that he should use his powers to save the world from self-destruction. Hinkley grudgingly accepts the mission after being importuned to do so by Maxwell.

While in the privacy of his bedroom the next day, Hinkley holds the suit in front of himself before a mirror and says, "IT'S A BIRD! IT'S A PLANE! IT'S RALPH HINKLEY!" Shortly thereafter he states cynically, "What the worlds needs is another flying superhero." Hinkley later reveals his newly acquired powers to his girlfriend and begs her understanding. Eventually, he uses his powers to overcome a villain's plan to destroy a portion of southern California.

Although Hinkley ultimately wins the battle with his evil opponent, he does not achieve his goal with the majestic grace, strength, skill, and panache characteristic of Superman. For example, when flying he hollers in fright, and invariably crash-lands, rather than landing with the aplomb of Superman. On one occasion while flying, Hinkley crashes into a building, is nearly knocked unconscious and then is unceremoniously arrested for vagrancy. And though his magical costume renders him impervious to bullets, when being shot at by villains Hinkley cringes and cowers. Finally, after winning the day in his first adventure, Hinkley shakes the hand of his partner, Maxwell, but unfortunately fractures it, neglecting to restrain his super strength.

On March 16, 1981, two days before the scheduled broadcast of the premiere of Hero, plaintiffs filed their complaint seeking the injunctive relief previously described. Judge Motley viewed the promotional spots, the premiere episode of Hero, and "Superman, The Movie." The district judge also heard testimony concerning the creation and production of Hero and the promotional spots, and the characteristics of the superhero genre. Judge Motley concluded that the parties' works were not substantially similar, and that even if they were, Hero was a parody of Superman and therefore protected under the fair use doctrine. The district court also determined that it was unlikely that the public would be confused as to the origin of Hero, and that, therefore, preliminary injunctive relief was not warranted in connection with the plaintiff's unfair competition claims. Thus, the defendant was permitted to televise the premiere of Hero on March 18, 1981 as scheduled.¹

¹The defendants contend that the third prong of the injunction sought by the plaintiffs is nothing more than a discovery request colored as a request for an injunction and that the broadcast of the premiere of Hero on March 18, 1981 rendered the action in all other respects moot. We disagree. Plaintiffs never limited their request to enjoin only the March 18 broadcast of the premiere episode of Hero, and the defendants have not demonstrated that the episode will not be rebroadcast at some later date. We decline to interpret so narrowly the plaintiffs' motion as a request to enjoin the broadcast of the premiere episode of Hero on only that date. This being the case, we need not decide whether the third prong of plaintiffs' request alone would suffice to escape a claim of mootness.

DISCUSSION

To establish a claim for copyright infringement, a plaintiff "must show ownership of a valid copyright and copying by the defendant." *Novelty Textile Mills, Inc. v. Joan Fabrics Corp.*, 558 F.2d 1090, 1092 (2d Cir. 1977). Plaintiffs' copyrights and their validity were not contested for the purposes of the preliminary injunction motion, leaving only the issue of copying to be determined.

[1] Because direct evidence of copying is ordinarily unavailable, a plaintiff is permitted to demonstrate copying through indirect proof. Thus, it is well settled that copying may be inferred where a plaintiff establishes that the defendant had access to the copyrighted work and that the two works are substantially similar. See *Novelty Textile Mills, Inc. v. Joan Fabrics Corp.*, *supra*; *Arnstein v. Porter*, 154 F.2d 464, 468 (2d Cir. 1946). Owing to the apparent worldwide popularity of the Superman character, "access" is not a major issue in this case.² Rather, the principal issue in this action is whether Judge Motley abused her discretion in concluding that the parties' works are not substantially similar.

[2, 3] "[T]he determination of the extent of similarity which will constitute a *substantial* and hence infringing similarity presents one of the most difficult questions in copyright law, and one which is the least susceptible of helpful generalizations." 3 Nimmer on Copyright § 13.03[A], at 13-16 (rev.ed.1980) (emphasis in original). The general test for determining substantial similarity is "whether an average lay observer would recognize the alleged copy as having been appropriated from the copyrighted work." *Ideal Toy Corp. v. Fab-Lu Ltd.*, 360 F.2d 1021, 1022 (2d Cir. 1966). In the case of literary works, it is axiomatic that copyright protection only extends to the expression of the author's idea, not to the idea itself. *Holmes v. Hurst*, 174 U.S. 82, 86, 19 S.Ct. 606, 43 L.Ed. 904 (1899); *Reyher v. Children's Television Workshop*, 533 F.2d 87, 91 (2d Cir.), *cert. denied*, 429 U.S. 980, 97 S.Ct. 492, 50 L.Ed.2d 588 (1976); *Nichols v. Universal Pictures Corp.*, 45 F.2d 119, 121 (2d Cir. 1930).³ Thus, in determining whether two such works are so substantially similar as to reveal an infringement of one by the other, courts must decide whether the similarities shared by the works are something more than mere generalized ideas or themes. Attempting to afford some guidance on this

²With respect to one of the plaintiffs' works, "Superman, The Movie," however, the defendant claims that the author of Hero did not view the film prior to creating the Hero television series.

³In 1976, the idea/expression distinction was statutorily embodied in the Copyrights Act, 17 U.S.C. § 102(b) (1976).

perplexing issue, Judge Learned Hand set forth what later became known as his “abstractions test” in *Nichols*:

[W]hen the plagiarist does not take out a block in situ, but an abstract of the whole, decision is more troublesome. Upon any work, and especially upon a play, a great number of patterns of increasing generality will fit equally well, as more and more of the incident is left out. The last may perhaps be no more than the most general statement of what the play is about, and at times might consist only of its title; but there is a point in this series of abstractions where they are no longer protected, since otherwise the playwright could prevent the use of his “ideas,” to which, apart from their expression, his property is never extended.

45 F.2d at 121 (citations omitted). Quite accurately, Judge Hand noted that “[n]obody has ever been able to fix that boundary, and nobody ever can.” *Id.*⁴ Nevertheless, we must once again perform the “difficult task” of “distill[ing] the non-protected idea from protected expression.” *Reyher v. Children’s Television Workshop, supra*, 533 F.2d at 91.

This is not the first occasion we have been called upon to decide this issue in an action involving the copyrights in the famous character Superman. See *Detective Comics, Inc. v. Bruns Publications, Inc.*, 111 F.2d 432 (2d Cir. 1940); see also *National Comics Publications, Inc. v. Fawcett Publications, Inc.*, 191 F.2d 594 (2d Cir. 1951). In *Bruns*, we held that while “the pictorial representations and verbal descriptions of ‘Superman’ ” presented more than “a benevolent Hercules” and thus constituted “proper subjects of copyright,” we cautioned that the owners of the Superman copyrights were not “entitled to a monopoly of the mere character of a ‘Superman’ who is a blessing to mankind.” 111 F.2d at 433–34. This admonition was, of course, consistent with our earlier decisions in *Nichols* and *Sheldon v. Metro-Goldwyn Pictures Corp.*, 81 F.2d 49 (2d Cir. 1936), *cert. denied*, 298 U.S. 669, 56 S.Ct. 835, 80 L.Ed. 1392 (1935), in which this Court ruled that generalized themes and ideas lie in the public domain and are not copyrightable. In deciding in *Bruns* that the defendant’s “Wonderman” comic character infringed the plaintiff’s copyrighted Superman works, the Court reviewed the parties’ works, identified the similarities between them and concluded that the “only real difference between them is that ‘Superman’ wears a blue uniform and ‘Wonderman’ a red one.” 111 F.2d at 433. The Court concluded that the defendants “used more than general types and ideas and . . . appro-

⁴Three decades later, in his last reported decision on the subject, Judge Hand remarked: In the case of verbal “works” it is well settled that although the “proprietor’s” monopoly extends beyond an exact reproduction of the words, there can be no copyright in the “ideas” disclosed but only in their “expression.” Obviously, no principle can be stated as to when an imitator has gone beyond copying the “idea,” and has borrowed its “expression.” decisions must therefore inevitably be *ad hoc*.

Peter Pan Fabrics, Inc. v. Martin Weiner Corp., 274 F.2d 487, 489 (2d Cir. 1960).

pritated the pictorial and literary details embodied in the complainant's copyrights." *Id.* While our subsequent decision in *Fawcett Publications* did not turn on the issue of substantial similarity, Judge Hand made the following remark which sheds additional light on the subject:

[A] copyright never extends to the "idea" of the "work," but only to its "expression," and . . . *no one infringes, unless he descends so far into what is concrete as to invade that "expression."*

191 F.2d at 600 (emphasis added).

[4, 5] After reviewing the parties' works in this case, Judge Motley concluded that "[a] comparison of the characters Ralph Hinkley and Superman and their respective stories reveals . . . that they are so dissimilar as to preclude a finding of substantial similarity." A. 541. The plaintiffs contend that Judge Motley's statement betrays a fundamental misunderstanding of copyright law. They assert that Judge Motley incorrectly focused upon the differences rather than the similarities between the works. The plaintiffs further claim that, in placing undue emphasis upon the disparities, Judge Motley disregarded what otherwise would be deemed substantial similarity between the works. We disagree.

While the works of plaintiffs and defendant share common ideas, themes, and general imagery, we believe that the similarities are not sufficiently particular and concrete so as to represent an appropriation of the protected expression of the plaintiffs' works. In arriving at this determination we also conclude that Judge Motley properly considered the great differences between the works in analyzing whether the parties' works were substantially similar.

Plaintiffs offer an extensive list of similarities between their works and those of the defendants to establish substantial similarity; for example, both superheroes are shown performing feats of miraculous strength; both wear tight acrobatic costumes; both do battle with villains; both fly with their arms extended in front of them and cape billowing behind; both are impervious to bullets; both have X-ray type vision; both have fantastic hearing and sight; both fly gracefully in the night sky past a city's lit skyscrapers; both lift a car with one hand; both lead a double life; both heroes' power emanates from another planet; and both are drawn to a mysterious spot to meet an extraterrestrial being. We find it unnecessary to recount several other purported similarities between the works suggested by the plaintiffs, since a close examination of the items already listed reveals the fallacy of their argument.

Though it is true that both heroes perform feats of miraculous strength, that is too common and general a characteristic or theme to even approach

the degree of concreteness and particularity deserving of copyright protection. In any event, the expression of the general idea of a hero with miraculous strength in Hero and Superman substantially differs. In Hero, Ralph Hinkley derives his power exclusively from his magic suit, whereas in Superman, the hero's strength is a natural attribute of his extraterrestrial physical makeup. Additionally, Superman's exploitation of his strength is controlled, whereas Ralph Hinkley struggles at times to conjure it up and at other times to contain it. As to the common use of tight-fitting acrobatic costumes, the defendants convincingly established below that such garb is common in the superhero genre rather than unique to Superman. Moreover, while Superman wears a blue leotard with red briefs, boots and cape, Ralph Hinkley's costume is a red leotard with a tunic top, no boots, and a black cape. The plaintiffs suggest similarity between the works in that both heroes fight wealthy megalomaniacal villains; however, this suggested similarity concerns something hardly more specific or particular than the classic theme of good versus evil. With respect to the two heroes' common power of self-propelled flight, the defendants demonstrated satisfactorily that several comic strip superheroes possess the power of self-propelled flight and fly with their arms extended in front of them and capes billowing behind. But more important in this regard, the style of flying employed by Superman and Ralph Hinkley hardly could be more different. Superman has mastered the art of self-propelled flight and accomplishes the feat with grace and verve. Ralph Hinkley, on the other hand seems to be terrified when flying and each time, without fail, crash-lands. Concededly both heroes at some point are shown lifting a car with one hand, but this display would seem to constitute a stereotypical means of demonstrating great strength, within the *scenes a faire* doctrine. See *Reyher v. Children's Television Workshop*, *supra*, 533 F.2d at 91. The latter notwithstanding, the scenes in each work in which a car is lifted differ substantially; in Superman, an infant lifts a pickup truck revealing fantastic strength to the Kents, his future step-parents, whereas in Hero, Ralph Hinkley lifts up an automobile to reveal and prove his supernatural strength to his girlfriend. As to the heroes' imperviousness to bullets, while the trait is shared, the expression of the concept differs dramatically. Ralph Hinkley cringes and cowers in the face of gunfire, whereas Superman boldly holds his ground when being fired upon. With respect to the plaintiffs' claim that both heroes share X-ray vision, Ralph Hinkley experiences holographic visions, whereas Superman sees *through* objects. Nor does the fact that both heroes lead double lives persuade us that the works are substantially similar. The defendants demonstrated below that other personages in the superhero genre lead double lives, their heroic side being kept in deep secrecy. And even more important, the expression of this classic literary idea differs between the two works in this case. In

Superman, Clark Kent never reveals his true identity, whereas in Hero, Ralph Hinkley voluntarily discloses his part-time superhero status to his girlfriend. With respect to the scenes in which both heroes are shown flying at night with a lit city skyline in the background, the impact of the scene in Superman is majestic whereas the impact of the scene in Hero is humorous. Superman is shown flying gracefully; Ralph Hinkley flies holding a skylight in one hand for balance. Finally, the scenes in which the hero of each work is drawn mysteriously to a spot to meet an extraterrestrial being are hardly similar in expression. Superman encounters his deceased father's image at some polar icecap location; Ralph Hinkley encounters an unidentified flying object while sitting in an automobile with his future sidekick, Bill Maxwell, and is greeted by Maxwell's deceased partner.

We do not interpret Judge Motley's opinion to suggest that sufficient differences between two works will preclude a finding of substantial similarity notwithstanding the presence of similarities that would otherwise be sufficient to support such a finding. Judge Motley's opinion indicates that she properly focused upon "the similarities not the differences," A. 541, and simply adhered to the logic inherent in our statement in *Durham Industries, Inc. v. Tomy Corp.*, 630 F.2d 905, 913 (2d Cir. 1980), that "numerous differences tend to undercut substantial similarity." While "[n]o plagiarist can excuse the wrong by showing how much of his work he did not pirate," *Sheldon v. Metro-Goldwyn Pictures Corp.*, *supra*, 81 F.2d at 56, "a defendant may legitimately avoid infringement by intentionally making sufficient changes in a work which would otherwise be regarded as substantially similar to that of the plaintiff's." 3 Nimmer, *supra*, § 13.03[B] at 13-37 (quoted with approval in *Durham Industries, Inc. v. Tomy*, *supra*, 630 F.2d at 913 n.11). Thus, far from being irrelevant, in cases such as this where the alleged plagiarist "does not take out a block in situ." *Nichols v. Universal Pictures Corp.*, *supra*, 45 F.2d at 121, an examination of the differences between two works may reveal the absence of substantial similarity. See *Reyher v. Children's Television Workshop*, *supra*, 533 F.2d at 93 (Court affirmed district court's finding that two scenes had "such substantial differences as not to warrant a finding of infringement"); *Nichols v. Universal Pictures Corp.*, *supra*, 45 F.2d at 120 (Court held "defendant's play too unlike the plaintiff's to be an infringement"); cf. *Ideal Toy Corp. v. Fab-Lu Ltd.*, *supra*, 360 F.2d at 1023 (Court emphasized "distinct differences" with respect to features of dolls in finding no infringement).

Finally, plaintiffs cannot seriously contend that the pattern of scenes, sequence of incident, principal characters, or the general theme between Hero and "Superman, The Movie," for example, are substantially similar. Quite to the contrary, as was the case in *Reyher v. Children's Television*

Workshop, supra, 533 F.2d at 91–92 the “total concept and feel” of the two works greatly differ. The Superman works portray a benevolent superhuman who seeks to achieve noble goals through the exercise of innate superpowers while at the same time trying to maintain the secrecy of his true identity in order to occupy a position in society as an ordinary person. Hero on the other hand, is a “mirror image” of the Superman character. Hero depicts a typical, young American man with common everyday problems who attempts to cope with the impact upon his life caused by the superhuman powers that are foisted upon him by unidentified alien beings. We conclude that plaintiffs have attempted to demonstrate substantial similarity between the parties’ works “by an analysis which alters the actual sequence or construction of plaintiff[s]’ work in order to achieve a juxtaposition that makes for greater similarity with defendant[s]’ work.” 3 Nimmer, *supra*, § 13.03[E][3] at 13–48.

We do, however, believe it prudent to note our reservations in connection with Judge Motley’s discussion of the parody defense. Suffice it to say that while the defense might be applicable to those isolated instances in which a nearly identical line from the plaintiffs’ script, or express reference to one of the plaintiffs’ characters was made, we question whether the defense could be used to shield an entire work that is substantially similar to and in competition with the copyrighted work.

[6] Finally, Judge Motley also correctly determined that plaintiffs’ unfair competition claims were insufficient to warrant the issuance of a preliminary injunction. Judge Motley did not abuse her discretion in determining that it was unlikely that the public would be confused as to the origin of Hero.

The order of the district court is AFFIRMED and this action is REMANDED for further proceedings consistent with this opinion. Each party shall bear its own costs of this appeal.

WARNER BROS., INC., Plaintiff, v. GAY TOYS, INC., Defendant

No. 81 Civ. 1880 (WK)

(United States District Court, S. D. New York—May 19, 1981)

513 F.Supp. 1066

[See also 658 F.2d 76, 211 USPQ 1017, and *infra* (2d Cir.—*Reversed*, Aug. 24, 1981); *Processed Plastic Co. v. Warner Communications, Inc.*, 675 F.2d 852, 216 USPQ 1072, 46 C.O.Bull.1079 (7th Cir.—*Affirmed*, Apr. 7, 1982); *Processed Plastic Co. v. Warner Bros., Inc.*, 218 USPQ 86, 46 C.O.Bull.1072 (N.D. Ill., July 14, 1982); *Warner Bros., Inc. v. Gay Toys, Inc.*, 553 F.Supp. 1018, 221 USPQ 741, 47 C.O.Bull.—(S.D.N.Y., Jan. 5, 1983); 724 F.2d 327, 47 C.O.Bull.—(2d Cir.—*Affirmed*, Dec. 21, 1983)]

Producer of television series sought preliminary injunction to restrain toymaker from marketing toy automobiles that resembled those which formed focal point for television series. The District Court, Whitman Knapp, J., held producer of television series was not entitled to preliminary injunctive relief barring toymaker from manufacturing toy automobiles similar to automobile used extensively in television series, since there was no indication that purchasers of toymaker's products would be misled into believing that products were manufactured or vouched for by television producer and preliminary injunction would not assist producer in achieving its primary purpose, i.e., validation of its licensing program for products exploiting the television show's popularity.

Motion denied.

Trade Regulation

Producer of television series was not entitled to preliminary injunctive relief barring toymaker from manufacturing toy automobiles similar to automobile used extensively in television series, since there was no indication that purchasers of toymaker's products would be misled into believing that products were manufactured or vouched for by television producer and preliminary injunction would not assist producer in achieving its primary purpose, i.e., validation of its licensing program for products exploiting the television show's popularity. Lanham Trade—Mark Act., § 1 et seq., 15 U.S.C.A. § 1051 et seq.

Cowan, Liebowitz & Latman, P. C., by Carol Simkin, New York City, Weiss, Dawid, Fross, Zelnick & Lehrman by Heinz Dawid, New York City, for plaintiff.

Milton M. Wolson, New York City, Robert G. Mentag, Detroit, Mich., for defendant.

MEMORANDUM AND ORDER

WHITMAN KNAPP, District Judge. In this suit based on alleged violations of the Lanham Act and related state claims of unfair competi-

tion, plaintiff moves for a preliminary injunction restraining the defendant from marketing toy automobiles that resemble those which form the focal point for plaintiff's television series. Having carefully considered the submissions made by the parties and the arguments of counsel, we deny plaintiff's motion. This memorandum shall constitute our findings of fact and conclusions of law.

Facts

Plaintiff, a Delaware corporation having its principal place of business in California, is a well-known producer of movies and television shows. Defendant, a Michigan corporation having its principal place of business in that state, is a leading manufacturer of toys.

Among the television shows produced by plaintiff is a highly successful series known as "The Dukes of Hazzard" which since January of 1979, has been regularly broadcast on the CBS television network. A prominent feature of this series—referred to by plaintiff as the series' "signature"—is the "General Lee", a striking orange automobile identified by the words "GENERAL LEE" and a modified confederate flag on its roof, and the number "01" prominently affixed to each side door. This car appears to be a central figure in each episode of the series and the human actors, the "Duke Boys", employ it in a never-ending succession of adventures in which its spectacular performance enables them repeatedly to escape from the clutches of the evil sheriff of fictitious Hazzard County. Because of the car's use in the program and the vast amounts of money plaintiff has spent in advertisements of the series with the "General Lee" prominently featured, it has come about that a substantial segment of the public—especially children—instantly think of the series when they see the car or a replica of it.

As is customary in the television industry, the plaintiff plans to profit from the "General Lee's" popularity by granting a number of manufacturers licenses to copy it. We are informed by counsel for the plaintiff that—again, as is customary in the industry—the revenues plaintiff expects to derive from such licenses exceed by far the expected broadcast revenues of the series itself.

Defendant has, for some time, sold toy automobiles made in the image of a Dodge Charger, and produced in a number of colors. After plaintiff's "General Lee" demonstrated its appeal, defendant decided to capitalize on its popularity. Having requested and been denied a non-exclusive license from the plaintiff, defendant put out the toy here in issue, an orange Dodge Charger with a confederate flag on its top and the number "10" on each side door. This toy is for all practical purposes identical in appearance to the "General Lee" except that the words "GENERAL LEE" are not written on its roof, and the numbers on its side doors are the

reverse of those found on the real “General Lee” (“10” instead of “01”). At the time the defendant placed its toy on the market neither plaintiff nor any of its licensees had—so far as the evidence before us indicates—come out on the market with any significant number of toys or other objects associated with the “Dukes of Hazzard” program.

After this action had been brought, plaintiff caused a survey to be taken which establishes, to our satisfaction, that a substantial number of children, when holding defendant’s car in their hand, immediately think of plaintiff’s “General Lee” and “The Dukes of Hazzard” television series.¹ From this we would infer that many children buy the car (or induce their parents to buy it for them) as a prop for play in which they pretend they are the “Duke Boys” of television fame. However, there is nothing in the survey to suggest that purchasers are in any way concerned with who may manufacture the car nor is there anything to suggest that purchasers think that plaintiff controls the quality of defendant’s toy or in any other way “sponsors” it.

In this lawsuit, plaintiff seeks to have defendant enjoined from marketing its toy copy of the “General Lee”.² In so doing, plaintiff does

¹This survey was taken at the Sunrise Mall in Massapequa, Long Island on Saturday, March 28 and Sunday, March 29, 1981. 102 children between the ages of 6 and 12 were shown one of the toy automobiles in question and were asked if they had ever seen a car that resembled it. If they answered yes, they were asked where; and if they answered on television, they were asked to name the program and to indicate what there was about defendant’s toy car that led them to give this answer. If they did not initially recognize the car they were asked if they watched plaintiff’s television show the “The Dukes of Hazzard” and the interview was terminated.

82 of the 102 children interviewed indicated that they recognized the toy car as either from “The Dukes of Hazzard”, “The Dukes”, or as the “General Lee.” When asked what there was about defendant’s product that led them to give this response, the children generally identified the “flag/confederate flag/X/sticker” on the top of the car, the “number/sticker” on the side of the car, and the car’s color.

At no point were the children asked whether they thought defendant’s product was manufactured by or in cooperation with the producers of plaintiff’s television series, and they were not asked if they would buy the car because they thought it was in any way officially connected with that series.

²Both the lawsuit and the instant motion for a preliminary injunction encompass, as well, a claim based on another vehicle in plaintiff’s television show—the car driven by the evil sheriff of Hazzard County. Plaintiff’s car is an essentially standard sheriff’s car, white, and recognizable solely by the virtue of an allegedly distinctive “Hazzard County” emblem on each side door. Defendant has produced and is merchandising a standard white sheriff’s car with an emblem on each side door entitled “Hazard, Kentucky”, which defendant claims is the name of a real place.

At argument of the motion for a preliminary injunction, plaintiff conceded that its case in chief focussed on the “General Lee” and that the sheriff’s car was merely a tag-along. For purposes of convenience, we therefore discuss the case in terms of the facts relevant to the “General Lee.” In the event that this matter proceeds further, however, we note that plaintiff has presented us with no evidence that the purchasing public associates defendant’s “Hazard, Kentucky” car more closely with plaintiff’s “Hazzard County” car than with the general idea of a white sheriff’s car.

not allege any copyright, design patent, or registered trademark which protects its design per se. It relies exclusively on the facts—which we find to be facts—that plaintiffs created the design and made it popular by virtue of its broadcasting and advertising activities, that defendant's product is readily identified as resembling plaintiff's creation, and that defendant intentionally designed its product to capitalize on the popularity of plaintiff's "General Lee". Plaintiff now moves for a preliminary injunction barring defendant from marketing its product without first removing the modified confederate flag from its roof and the "10" from its side doors. For the reasons set forth below, that motion is denied.

Discussion

In this Circuit, a plaintiff seeking preliminary injunctive relief must make a showing of irreparable harm and, in addition, demonstrate either a likelihood of success on the merits or the existence of sufficiently serious questions going to the merits to make them a fair ground for litigation. In the latter situation (fair ground for litigation), it must also establish that the balance of hardships tips decidedly in its favor. *Jack Kahn Music Co., Inc. v. Baldwin Piano & Organ Co.* (2d Cir. 1979) 604 F.2d 755, 758–59. Assuming *arguendo* that plaintiff has established irreparable harm, we turn to an examination of plaintiff's substantive position.

The basic inquiry in an unfair competition action in this forum is whether the public is likely to be misled into believing that the defendant is distributing products manufactured or vouched for by the plaintiff.³ Thus, in *American—Marietta Co. v. Krigsman* (2d Cir. 1960) 275 F.2d 287, Judge Hand observed (at 289):

"The whole basis of the law of 'unfair competition'. . . is that no one shall sell his goods in such a way as to make it appear that they come from some other source."

Accord: Vitarroz Corp. v. Borden, Inc. (2d Cir 1981) 644 F.2d 960; *Perfect Fit Industries, Inc. v. Acme Quilting Co.* (2d Cir 1980) 618 F.2d 950, 953; *American Footwear Corp. v. General Footwear Co.* (2d Cir. 1979) 609 F.2d 655, 663, *cert. denied*, 445 U.S. 951, 100 S.Ct. 1601, 63 L.Ed.2d 787 (1980); *McGregor-Doniger, Inc. v. Drizzle Inc.* (2d Cir. 1979) 599 F.2d 1126, 1130; *Mushroom Makers, Inc. v. R. G. Barry Corp.* (2d Cir. 1978) 580 F.2d 44, 47, *cert. denied*, 439 U.S. 1116, 99 S.Ct. 1022, 59 L.Ed.2d 75 (1979); *Societe Comptoir de l'Industrie Cotonniere Etablissements Boussac v. Alexander's Dept. Stores, Inc.* (2d Cir. 1962)

³At a later stage of our opinion we advert to the New York case law on misappropriation of another's skill, expenditures and labors. There is otherwise no need to distinguish, for purposes of this particular action, between rights arising under the Lanham Act as construed in this Circuit and rights arising under the New York common law of unfair competition.

299 F.2d 33, 36; *Joshua Meier Co. v. Albany Novelty Mfg. Co.* (2d Cir. 1956) 236 F.2d 144, 147; *Triangle Publications v. Rohrllich* (2d Cir. 1948) 167 F.2d 969, 972; *Yale Electric Corp. v. Robertson* (2d Cir. 1928) 26 F.2d 972, 973; *Crescent Tool Co. v. Kilborn & Bishop Co.* (2d Cir. 1917) 247 F. 299, 300. See also *Shaw v. Time-Life Records* (1975) 38 N.Y.2d 201, 379 N.Y.S.2d 390, 305.

In the case at bar, however, it seems unlikely that any purchaser of defendant's products will be misled into believing they are manufactured or vouched for by the plaintiff. Plaintiff has, as yet, established no reputation in this field. Neither it nor its licensees have put out any significant number of "Dukes of Hazzard" products bearing the "mark" of the "General Lee", cf. *Universal City Studios, Inc. v. Montgomery Ward & Co.* (N.D.ILL.1980) 207 U.S.P.Q. 852, 855; *DC Comics, Inc. v. Powers* (S.D.N.Y.1978) 465 F.Supp. 843, 847; *Wyatt Earp Enterprises Inc. v. Sackman, Inc.* (S.D.N.Y.1958) 157 F.Supp. 621, 624-25; *Warner Bros. Inc. v. Road Runner Car Wash, Inc.* (TTAB 1976) 189 U.S.P.Q. 430, 430-31, nor has defendant advertised its product so as to suggest it is an "official" replica of the "General Lee" Cf. *American Broadcasting Co. Merchandising, Inc. v. Button World Mfg., Inc.* (N.Y.Sup.Ct., N.Y.Co.1966) 151 U.S.P.Q. 361; *Wyatt Earp, supra*, 157 Supp. at 625. While we readily infer that purchasers of defendant's toy use it as a prop to act out recreations of the "Dukes of Hazzard" show, there is nothing in this, nor in any other evidence adduced by plaintiff, to suggest that such purchasers are at all concerned with who manufactures the toy or with whether its manufacture is sponsored by the producer of the television series.

Nor can plaintiff find support in those cases, stemming from the Supreme Court opinion in *International News Service v. Associated Press* (1918) 248 U.S. 215, 39 S.Ct. 68, 63 L.Ed. 211, which seeks to prevent one from misappropriating the skill, expenditures, and labor of another. In all such cases that have come to our attention, the prevailing plaintiff has been able to point to the abuse of a confidential or fiduciary relationship or to some element of fraud or deception. See, e.g., *Flexitized, Inc. v. National Flexitized Corp.* (2d Cir. 1964) 335 F.2d 774, 782, cert. denied, 380 U.S. 913, 85 S.Ct. 899, 13 L.Ed.2d 799 (1965); *Electrolux Corp. v. Val-Worth, Inc.* (1959) 6 N.Y.2d 556, 190 N.Y.S.2d 977, 986; *Reiner v. North American Newspaper Alliance* (1932) 259 N.Y. 250, 181 N.E. 561; *Madison Square Garden Corp. v. Universal Pictures Co.* (1st Dep't 1938) 255 App.Div. 459, 7 N.Y.S.2d 845, 849-50, Appeal denied, 256 App.Div. 807, 9 N.Y.S.2d 895; *Dior v. Milton* (Sup.Ct.N.Y.Co.1956) 9 Misc.2d 425, 155 N.Y.S.2d 443, 454, aff'd mem. (1st Dep't) 2 A.D.2d 868, 156 N.Y.S.2d 996; *Metropolitan Opera Ass'n. v. Wagner-Nichols Recorder Corp.* (Sup.Ct.N.Y.Co. 1950) 19 Misc. 786, 101 N.Y.S.2d 483, 489, aff'd, 279 App.Div. 632, 107 N.Y.S.2d 795 (1951). There is here no possibility of

fraud; we find no deception; and no confidential fiduciary relationship has been demonstrated.

We therefore conclude that plaintiff is unlikely to prevail on the merits under either the New York common law or the Lanham Act as that Act has heretofore been construed in this circuit.

There is, however, a relatively recent Fifth Circuit decision which tends to support the plaintiff's position. *Boston Professional Hockey Ass'n, Inc. v. Dallas Cap & Emblem Mfg., Inc.* (5th Cir. 1975) 510 F.2d 1004, *cert. denied*, 423 U.S. 868, 96 S.Ct. 132, 46 L.Ed.2d 98 (1976). There the Fifth Circuit, observing that it was dealing with a case of "first impression" (*Id.* at 1008), and coming to a decision that it felt might "tilt the trademark laws" (*Id.* at 1011), held that the owner of a professional hockey team could prohibit any unlicensed person from manufacturing or selling shoulder patches bearing the team's emblem, whether or not such emblem had been registered as the team's trademark.

We do not believe our Circuit would agree that such an extension of heretofore accepted concepts should—at least on the facts at bar—be accomplished by judicial, rather than legislative fiat.⁴ There is no evidence before us to indicate whether plaintiff's television program causes the sale of a single extra automobile by the toy industry as a whole, or whether it simply diverts purchasers from one design to another. Furthermore, assuming that the program in fact creates a new or additional market for toys, it seems to us that it should be legislative decision whether a television producer should have arbitrary control over which of competing manufacturers can benefit from the incidental fallout from its broadcasting activities, or whether its legitimate economic interests may be adequately protected by some sort of compulsory licensing system which would permit any manufacturer so to benefit upon payment of a reasonable royalty.

Although, as indicated, we do not believe that the plaintiff—on the basis of any facts now before us—is likely to prevail on the merits, we must recognize that it has presented a question providing a fair ground for litigation. However, we are satisfied that the defendant clearly prevails on

⁴In *International Order of Job's Daughters v. Lindeburg and Co.* (9th Cir. 1980) 633 F.2d 912, the Ninth Circuit rejected the contention that a trademark's owner has a complete monopoly over the trademark's use in commercial merchandising. *Id.* at 918. The Court suggested, moreover, that the Fifth Circuit has since retreated from any such expansive interpretation of *Boston Professional Hockey*. Thus, the Court observed (at 918, n.10):

"The Fifth Circuit itself has apparently retreated from a broad interpretation of *Boston Hockey*. In *Kentucky Fried Chicken Corp. v. Diversified Packaging Corp.*, 549 F.2d 368 (5th Cir. 1977), the court began its analysis of Kentucky Fried Chicken's infringement claim by noting that it 'reject[ed] any notion that a trademark is an owner's 'property' to be protected irrespective of its role in the protection of our markets,' and described the *Boston Hockey* holding as premised on a finding that consumers were likely to believe that the emblems somehow originated from the hockey clubs. 549 F.2d at 389."

the balance of hardships test. An injunction would prohibit defendant from making sales readily available to it at this time, whereas it is difficult to see what if any economic loss plaintiff would suffer from such sales. Indeed, it is obvious that the plaintiff's primary purpose in bringing this action is not to stop the sale of a few toy automobiles, but to validate its entire licensing program. A *temporary* injunction would not assist it in this endeavor.

Plaintiff's motion for a preliminary injunction is accordingly DENIED and the stay heretofore granted (and extended by stipulation) is VACATED. The parties are directed to communicate with Chambers within two weeks from the date of this order to establish an expedited schedule looking toward a final judgment on the merits of the complaint.

SO ORDERED.

WARNER BROS., INC., Plaintiff-Appellant, v. GAY TOYS, INC.,
Defendant-Appellee

No. 1598, Docket 81-7373

(United States Court of Appeals, Second Circuit—Argued June 11,
1981—Decided August 24, 1981)

658 F.2d 76. 211 USPQ 1017

[See also 513 F.Supp. 1066, and *supra* (S.D.N.Y., May 19, 1981); *Processed Plastic Co. v. Warner Communications, Inc.*, 675 F.2d 852, 216 USPQ 1072, 46 C.O.Bull.1079 (7th Cir.—*Affirmed*, Apr. 7, 1982); *Processed Plastic Co. v. Warner Bros., Inc.*, 218 USPQ 86, 46 C.O.Bull.1072 (N.D. Ill., July 14, 1982); *Warner Bros., Inc. v. Gay Toys, Inc.*, 553 F.Supp. 1018, 221 USPQ 741, 47 C.O.Bull.— (S.D.N.Y., Jan. 5, 1983); 724 F.2d 327, 47 C.O.Bull.— (2d Cir.—*Affirmed*, Dec. 21, 1983)]

Producer of television series sought preliminary injunction to restrain toy maker from marketing toy automobiles that resembled those which formed focal point for television series. The United States District Court for the Southern District of New York, Whitman Knapp, J., 513 F.Supp. 1066, held producer of television series was not entitled to preliminary injunctive relief, and producer appealed. The Court of Appeals, Re, Chief Judge, sitting by designation, held that: (1) symbols on automobile which formed focal point of television series fell within protection of section of trademark act governing false designa-

tion of origin and false description; (2) sufficient confusion between car manufactured by toy manufacturer and car which was focal point of television series existed to entitle producer of television series to equitable relief; and (3) television producer made showing of irreparable harm as well as a showing of likelihood of success on merits.

Reversed.

1. Trade Regulation

Statute governing trademarks includes protection against infringement of common-law trademarks, therefore, registration is not requirement for protection under act. Lanham Trade-Mark Act, §§ 43(a), 45, 15 U.S.C.A. §§ 1125(a), 1127.

2. Trade Regulation

Section of law governing trademarks which prohibits false designation of origin and false description encompasses broad spectrum of marks, symbols, design elements and characters; thus, symbols of orange automobile with confederate flag emblem prominently featured on successful television series, fell within ambit of statute. Lanham Trade-Mark Act, §§ 43(a), 45, 15 U.S.C.A. §§ 1125(a), 1127.

3. Trade Regulation

Standard which applies where preliminary injunction is sought as relief for alleged trademark infringement requires showing by plaintiff of irreparable harm and either likelihood of success on merits, or sufficiently serious questions going to merits to make them fair grounds for litigation and balance of hardships tipping decidedly toward party requesting preliminary relief.

4. Trade Regulation

Although it is necessary to prove that buying public was actually deceived in order to recover damages under section of trademark act governing false designation of origin and false description, only likelihood of confusion or deception need be shown in order to obtain equitable relief. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

5. Trade Regulation

Where survey by producer of television program showed that eight out of ten children responded immediately to automobile produced by toy manufacturer as replica of automobile featured on successful television program, and retailers sold automobile of toy manufacturer as replica of automobile featured on television program, sufficient likelihood of confusion or deception existed to obtain preliminary equitable relief. Lanham Trade-Mark, § 43(a). 15 U.S.C.A. § 1125(a).

6. Trade Regulation

In order to obtain preliminary injunction prohibiting toy manufacturer from using non-functional distinctive symbols in sale of toy manufacturer's toy car, it was not necessary that producer of television series actually manufactured toy cars, but merely that confusion as to manufacturer or sponsorship resulted from use by toy manufacturer of symbols distinctive to car used on series.

7. Trade Regulation

Where producer of television series which featured distinctive automobile had substantial financial interest at stake, had history of first use of symbol used with car, incurred great expense to publicize symbols which identified car, producer and his licensees would suffer substantial lost sales, and television producer's licensing program would lose much confidence reposed in it by licensees, who also made substantial investments based upon exclusivity of their licenses, producer of television series made showing of irreparable harm if

preliminary injunction prohibiting toy manufacturer from using symbols in manufacture of toy automobile were not granted.

Cowan, Liebowitz & Latman, P. C., New York City (Carol F. Simkin, New York City, of counsel), and Weiss, Dawid, Fross, Zelnick & Lehrman, New York City, (Michael Davis, New York City of counsel), for plaintiff-appellant.

Milton Wolson, New York City, and Robert G. Mentag, Detroit, Mich., for defendant-appellee.

Before OAKES and KEARSE, Circuit Judges, and RE, *Chief Judge.

RE, *Chief Judge*. Plaintiff-appellant, Warner Bros., Inc., appeals from the denial of a motion for a preliminary injunction brought to halt the use by the defendant-respondent, Gay Toys, Inc, of certain non-functional, distinctive symbols in the manufacture and sale of defendant's toy car, the "Dixie Racer".

Warner Bros. contends that the unauthorized use of these symbols by Gay Toys constitutes a violation of § 43(a) of the Lanham Trademark Act of 1946, 15 U.S.C. § 1125(a), and also of the laws of the State of New York, relating to misappropriation and unfair competition. Warner Bros. states that the use of these symbols by Gay Toys causes confusion in the public's mind as to the manufacture and sponsorship of the toy car. Furthermore, it gives rise to the false assumption by the public that Gay Toys' "Dixie Racer" is an authorized reproduction of the "General Lee", an orange, 1969 Dodge Charger with a Confederate flag emblem, prominently featured on "The Dukes of Hazzard", Warner Bros.' successful T.V. series.

[1] It is necessary to examine the scope of Section 43(a) to insure that its protection extends beyond registered trademarks to include unregistered marks such as those at bar. 15 U.S.C. § 1127 provides that "The intent of this chapter is to regulate commerce within the control of Congress by making actionable the deceptive and misleading use of marks in such commerce, . . . [and] to protect persons engaged in such commerce against unfair competition." See also, *Alfred Dunhill Ltd. v. Interstate Cigar Company Inc.*, 499 F.2d 232, 236 (2d Cir. 1974). This law includes protection against the infringement of common law trademarks. *Beech-Nut Inc. v. Warner Lambert Company*, 480 F.2d 801 (2nd Cir. 1973). Therefore, registration is not a requirement for protection under the Lanham Act.

[2]. Section 43(a) has been held to encompass a broad spectrum of marks, symbols, design elements and characters which the public directly

*The Honorable Edward D. Re, Chief Judge, United States Court of International Trade, sitting by designation.

associates with the plaintiff or its product. *Perfect Fit Industries Inc. v. Acme Quilting Co.*, 618 F.2d 950 (2nd Cir. 1980), and *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200 (2nd Cir. 1979). This protection has been held to extend to the specific ingredients of a successful T.V. series. *D. C. Comics Inc. v. Filmation Associates Inc.*, 486 F.Supp. 1273, 1277 (S.D.N.Y.1980). Therefore, it is clear that the "General Lee symbols" fall within the ambit of Section 43(a).

In its Memorandum and Order, the District Court for the Southern District of New York, 513 F.2d 1066, denied the motion for a preliminary injunction on the ground that there could be no proof of confusion because Warner Bros. was not in the business of manufacturing toy cars. The Court further found that the purchasers of the "Dixie Racer" were not concerned with who manufactured the toy, or whether its manufacture was sponsored by the producer of the T.V. series.

The question presented is whether the District Court erred in finding that the plaintiff, Warner Bros., failed to show a likelihood of confusion as to the source or sponsorship of the defendant, Gay Toys' product.

Since we find that there is sufficient likelihood of confusion as to the source and sponsorship of the toy car to fall within the scope of the Lanham Act, we reverse. We also find that Gay Toys deliberately utilized these symbols to capitalize on the demand created by the "Dukes of Hazzard" and the "General Lee", in order to divert business and increase its sales by misleading consumers as to the source and sponsorship of the "Dixie Racer".

The essential facts are not disputed. Moreover, Gay Toys concedes that it specifically attempted to exploit the market created by Warner Bros.' efforts. Prior to the success of "The Dukes of Hazzard", Gay Toys produced a 1969 Dodge Charger toy car, but without the bright orange color, the Confederate flag decal, or the door numerals which Warner Bros. contends are its proprietary marks, and the symbols of the "General Lee". Upon becoming aware of the tremendous sales potential of a "General Lee" replica, Gay Toys unsuccessfully sought a license from the Licensing Corporation of America, Warner Bros.' subsidiary licensing agent, to produce a toy car which would utilize these distinctive symbols. Because of pre-existing exclusive agreements with other toy manufacturers, Warner Bros. refused to grant a license. Gay Toys nevertheless, proceeded to manufacture and distribute the "Dixie Racer", incorporating these symbols. Although it reversed the door numerals from "01" to "10", and refrained from using the appellation, "General Lee", the toy automobile is identical with the "General Lee" in virtually all other respects. This resulted in the sale of over 500,000 toy cars, and back orders for 700,000 more, a much greater quantity than the Gay Toys' earlier model had ever sold.

[3] In this action for a preliminary injunction barring Gay Toys from utilizing the "General Lee" symbols in the manufacture, promotion and sale of its "Dixie Racer", the legal standard which must be met by appellant, Warner Bros., is clear. There must be a showing of (A) irreparable harm and (B) either (1) likelihood of success on the merits or (2) sufficiently serious questions going to the merits to make them a fair ground for litigation and a balance of hardships tipping decidedly toward the party requesting the preliminary relief. *Jackson Dairy, Inc. v. H. P. Hood & Sons*, 596 F.2d 70 (2nd Cir. 1979). This standard applies where a preliminary injunction is sought as relief for alleged trademark infringement. *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d at 206-207.

In examining Warner Bros.' substantive position, the District Court properly held that "the basic inquiry in an unfair competition action is whether the public is likely to be misled into believing that the defendant is distributing products manufactured or vouched for by the plaintiff". At 1068. See *American Marietta Co. v. Krigsmann*, 275 F.2d 287 (2nd Cir. 1960).

[4] Although it is necessary to prove that the buying public was actually deceived in order to recover damages under § 43(a) of the Lanham Act, *Skil Corp. v. Rockwell International Corp.*, 375 F.Supp. 777 (N.D.Ill.1974), only a likelihood of confusion or deception need be shown in order to obtain equitable relief. *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, *supra*. Here, since equitable relief is sought, only the likelihood of confusion need be shown, and not proof of actual confusion as was required by the District Court. The uncontroverted facts, as presented in the affidavits and stipulated to by counsel, fully support this likelihood of confusion. Any lingering doubt is dispelled by the results of Warner Bros.' survey which shows that eight out of ten children respond immediately to the "Dixie Racer" as the "General Lee" or as the "The Dukes of Hazzard Car", and the affidavit which confirms that retailers sold the "Dixie Racer" as the "Dukes of Hazzard Car".

[5] The District Court properly inferred that "many children buy the car (or induce their parents to buy it for them) as a prop for play in which they pretend they are 'the Duke Boys' of television fame". It is clear that many of the consumers did confuse the "Dixie Racer" with the "General Lee" and assumed that the car was sponsored by Warner Bros. This is sufficient to invoke the protection of this Court. *Scarves by Vera Inc. v. Todo Imports Ltd. (Inc)*, 544 F.2d 1167 (2nd Cir. 1976).

Warner Bros. has licensed other toy manufacturers to produce authorized replicas of the "General Lee" through its subsidiary Licensing Corporation of America. The undisputed facts demonstrate that this was not only the custom and practice of the industry, but also that product licensing arrangements were ultimately more profitable than the T.V. series itself.

[6] On the question of competition and the likelihood of confusion, it is not necessary that Warner Bros. actually manufacture the toy cars, but merely that a confusion as to manufacture or sponsorship result. This court has previously held in *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd., supra*, that “[i]n order to be confused, a consumer need not believe that the owner of the mark actually produced the item and placed it on the market. The public’s belief that the mark’s owner sponsored or otherwise approved the use of the trademark satisfies the confusion requirement.” *Id.* at 204–205 (citations omitted).

We have no doubt that Warner Bros. has met its burden of proof of the likelihood of confusion as to the sponsorship of the “Dixie Racer”.

[7] We find that Warner Bros. has made a showing of irreparable harm as well as a showing of likelihood of success on the merits. It has a substantial financial interest at stake, and a history of first use of the symbols in this context. Warner Bros. also incurred great expense to publicize the symbols which identify the “General Lee”. If the injunction is denied, Warner Bros. and its licensees will suffer substantial lost sales, and its licensing program will lose much of the confidence reposed in it by the licensees, who also made substantial investments based upon the exclusivity of their licenses.

It has been indicated that §43(a) of the Lanham Act is remedial in nature, and should be interpreted and applied broadly so as to effectuate its remedial purpose. *See Maternally Yours, Inc. v. Your Maternity Shop, Inc.*, 234 F.2d 538, 546 (2nd Cir. 1956) (Clark J., concurring); *CBS, Inc. v. Springboard International Records*, 429 F.Supp. 563, 566 (S.D.N.Y.1976).

To deny Warner Bros. injunctive relief would be to enable Gay Toys “to reap where [i]t has not sown”. *International News Service v. Associated Press*, 248 U.S. 215, 239, 39 S.Ct. 68, 92, 63 L.Ed. 211 (1918).

The Order of the District Court denying the preliminary injunction is REVERSED.

WARNER BROS., INC. and Warner Bros., Distributing Corp., Plaintiffs, v. David L. WILKINSON, Attorney General of the State of Utah, Defendant

Motion Picture Exhibitors Association of Utah, Inc., Intervenor

Civ. No. C 80-0713J

(United States District Court, D. Utah, C. D. — December 21, 1981)

533 F.Supp. 105. 216 USPQ 837

Motion picture production company brought suit seeking a determination that a provision of the Utah Motion Picture Fair Bidding Act was unconstitutional and seeking an injunction preventing its enforcement. The District Court, Jenkins, J., held that the provision that if a motion picture exhibitor must pay the distributor a percentage of theater box office receipts the distributor may not require a guarantee of a minimum payment or require the exhibitor to charge a minimum ticket price did not constitute an unreasonable burden on interstate commerce, did not violate the antitrust laws, did not violate the copyright laws, did not violate the First Amendment, did not deprive the distributors of due process, and did not constitute an unconstitutional abridgement of the distributors' freedom of contract.

Summary judgment for defendant.

1. Commerce

Theaters and Shows

Provision of Utah Motion Picture Fair Bidding Act that if exhibitor is required to pay distributor a percentage of box office receipts distributor may not require guarantee of minimum payment or require exhibitor to charge minimum ticket price did not constitute an unreasonable burden on interstate commerce. U.C.A.1953, 13-13-4.

2. Monopolies

Provision of Utah Motion Picture Fair Bidding Act that if exhibitor is required to pay distributor a percentage of box office receipts distributor may not require guarantee of minimum payment or require exhibitor to charge minimum ticket price did not violate the antitrust laws. U.C.A.1953, 13-13-4; Sherman Anti-Trust Act, § 1 et seq., 15 U.S.C.A. § 1 et seq.

3. Copyrights and Intellectual Property

Provision of Utah Motion Picture Fair Bidding Act that if exhibitor is required to pay distributor a percentage of box office receipts distributor may not require guarantee of minimum payment or require exhibitor to charge minimum ticket price did not violate the copyright laws. U.C.A.1953, 13-13-4; 17 U.S.C.A. §§ 106, 201 et seq., 201(e).

4. Constitutional Law

States may restrict forms of enforceable agreements that private parties may enter into through contract law embodied in statutes.

5. Constitutional Law

Theaters and Shows

Provision of Utah Motion Picture Fair Bidding Act that if exhibitor is required to pay distributor a percentage of box office receipts distributor may not require guarantee of

minimum payment or require exhibitor to charge minimum ticket prices did not violate the First Amendment. U.C.A.1953, 13-13-4; U.S.C.A.Const.Amend. 1.

6. Constitutional Law

Free expression is guaranteed in marketplace of ideas as fundamental constitutional principle; however, there is no guarantee that any such expression will be compensated on terms most desired by its author. U.S.C.A.Const.Amend. 1.

7. Constitutional Law

Theaters and Shows

Provision of Utah Motion Picture Fair Bidding Act that if exhibitor is required to pay distributor a percentage of box office receipts distributor may not require guarantee of minimum payment or require exhibitor to charge minimum ticket prices did not deprive distributor of property without due process. U.C.A.1953, 13-13-4; Utah Const.Art. 1, § 7; U.S.C.A.Const.Amend. 14.

8. Constitutional Law

Theaters and Shows

Provision of Utah Motion Picture Fair Bidding Act that if exhibitor is required to pay distributor a percentage of box office receipts distributor may not require guarantee of minimum payment or require exhibitor to charge minimum ticket prices did not violate contracts clause of United States Constitution. U.C.A.1953, 13-13-4.

L. R. Gardiner, Jr. Fox, Edwards & Gardiner, Salt Lake City, Utah, Erwin Griswold, Jones, Day, Reavis & Pogue, Washington, D. C., for plaintiffs.

Ralph Finlayson, George Mecham, James Wilson, Sp. Asst. Attys. Gen., for defendant.

Robert Peterson, Salt Lake City, Utah, for intervenor.

MEMORANDUM OPINION

JENKINS, *District Judge*. Plaintiffs commenced this action for declaratory and injunctive relief, seeking a determination that a provision contained in Section 4 of the Utah Motion Picture Fair Bidding Act, Utah Code Ann. § 13-13-1 *et seq.*, is unconstitutional and unenforceable as well as an injunction preventing enforcement of the provision. Section 4 provides as follows:

If an exhibitor is required by a license agreement to make any payment to the distributor that is based on a percentage of the theatre box office receipts the license agreement shall not require a guarantee of a minimum payment to the distributor or require the exhibitor to charge any per capita amount for ticket sales.

That section is alleged to be facially defective¹ as (1) an unreasonable burden on interstate commerce; (2) as intruding into an area of commerce preempted by the Copyright Act, 17 U.S.C. §§ 106, 201 *et seq.*, (1976); (3)

¹See Hearing Transcript [hereinafter "Hrg. Tr."] at 10.

as intruding into an area forbidden by the Sherman Antitrust Act, 15 U.S.C. § 1 *et. seq.* (1976); (4) as violative of the First and Fourteenth Amendments' guarantee of freedom of expression, U.S. Const., Amends. 1, 14 § 1; and (5) as depriving plaintiffs of property without due process of law in contravention of Art. I, § 7 of the Utah Constitution.²

The matter came on for hearing before this Court on the plaintiffs' motion for summary judgment on October 2, 1981. Appearances were as follows:

Erwin Griswold, Esq., Barbara Kacir, Esq. and L. R. Gardiner, Esq., for the plaintiff Warner Brothers;

Ralph L. Finlayson, Esq., George M. Mecham, Esq. and James L. Wilson, Esq., for the defendant Attorney General;

Robert Peterson, Esq., for intervenor-defendant Motion Pictures Exhibitors Association of Utah.

This Court has reviewed the extensive memoranda and exhibits filed herein by the parties, and having given careful attention to the arguments of counsel at hearing and to the applicable legal authorities, has reached the conclusions set forth below.

I.

[1] This is not a case involving an unreasonable³ or discriminatory⁴ burden on interstate commerce. This seems to have been acknowledged by Warner Brothers in its colloquy with this Court at hearing.⁵ Interstate commerce has in no sense been burdened in any meaningfully excessive fashion. "Where the statute regulates even-handedly to effectuate a legitimate local public interest, and its effects on interstate commerce are only incidental, it will be upheld unless the burden imposed on such commerce is clearly excessive in relation to the putative local benefits." *Pike v. Bruce Church, Inc.*, 397 U.S. 137, 142, 90 S.Ct. 844, 847, 25 L.Ed.2d 174 (1970); *Huron Portland Cement Co. v. City of Detroit*, 362 U.S. 440, 443, 80 S.Ct. 813, 815, 4 L.Ed.2d 852 (1960); *See also Kassel v. Consolidated*

²Utah Const., Art. 1, § 7, reads as follows: "No person shall be deprived of life, liberty or property, without due process of law."

³See e.g., *Exxon Corp. v. Governor of Maryland*, 437 U.S. 117, 127-28, 98 S.Ct. 2207, 2214-2215, 57 L.Ed.2d 91 (1978); *Minnesota v. Clover Leaf Creamery Co.*, 449 U.S. 456, 472-74, 101 S.Ct. 715, 728-729, 66 L.Ed.2d 659 (1981); *Hughes v. Alexandria Scrap Corp.*, 426 U.S. 794, 806, 96 S.Ct. 2488, 2496, 49 L.Ed.2d 220 (1976); *Southern Pacific Co. v. Arizona*, 325 U.S. 761, 65 S.Ct. 1515, 89 L.Ed. 1915 (1945).

⁴See e.g., *Exxon Corp. v. Governor of Maryland*, *supra*, 437 U.S. at 125-26, 98 S.Ct. at 2213-2214; *Hunt v. Washington Apple Advertising Comm'n.*, 432 U.S. 333, 97 S.Ct. 2434, 53 L.Ed.2d 383 (1977); *Dean Milk Co. v. City of Madison*, 340 U.S. 349, 71 S.Ct. 295, 95 L.Ed. 329 (1951). There is no assertion that the statute favors local film distributors as against interstate distributors. *Hunt, supra*, 432 U.S. at 351-352, 97 S.Ct. at 2445-2446.

⁵See Hrg. Tr. at 70-71.

Freightways Corp., 450 U.S. 662, 101 S.Ct. 1309, 67 L.Ed.2d 580 (1981); *Minnesota v. Clover Leaf Creamery Co.*, 449 U.S. 456, 470–74, 101 S.Ct. 715, 727–729, 66 L.Ed.2d 659 (1981); *Lewis v. BT Investment Managers, Inc.*, 447 U.S. 27, 36, 100 S.Ct. 2009, 2015, 64 L.Ed.2d 702 (1981); *Hunt v. Washington Apple Advertising Comm'n*, 432 U.S. 333, 350, 97 S.Ct. 2434, 2445, 53 L.Ed.2d 383 (1977); *Exxon Corp. v. Governor of Maryland*, 437 U.S. 117, 98 S.Ct. 2207, 57 L.Ed.2d 91 (1978); *Southern Pacific Co. v. Arizona*, 325 U.S. 761, 65 S.Ct. 1515, 89 L.Ed. 1915 (1945); *Duckworth v. Arkansas*, 314 U.S. 390, 62 S.Ct. 311, 86 L.Ed. 294 (1941); *Osborn v. Ozlin*, 310 U.S. 53, 60 S.Ct. 758, 84 L.Ed. 1074 (1940); J. Nowak, et al., *Constitutional Law* 256–260 (1978).

II.

[2] There is no antitrust violation here, nor an incursion by the state into federally preempted antitrust territory. See *Allied Artists Pictures Corp. v. Rhodes*, 496 F.Supp. 408, 451 (S.D.Ohio 1980); 1 P. Areeda & D. Turner, *Antitrust Law* ¶ 209 (1978). The statute seeks to enhance rather than restrict competition; its effect upon interstate commerce “is such as not to conflict but to coincide with a policy which Congress has established with respect to it.” *Parker v. Brown*, 317 U.S. 341, 363, 63 S.Ct. 307, 319, 87 L.Ed. 315 (1943); 1 Areeda & Turner, *supra*, at ¶¶ 103, 109, 109a, 109b.⁶

III.

[3, 4] Nor is this a copyright case. No one has appropriated a product protected by the copyright law for commercial exploitation against the copyright owner’s wishes. See 17 U.S.C. § 201(e) (Supp.1978).⁷ The right to transfer or license copyrighted material for use by others under sections 106 and 201 *et seq.* of the Copyright Act has never encompassed a right to transfer the work at all times and at all places free and clear of all regula-

⁶This Court rejects the argument by counsel that the statute in question seeks to restrain trade in a manner requiring state supervision on a continuing basis. See *California Retail Liquor Dealers Ass’n v. Midcal Aluminum, Inc.*, 445 U.S. 97, 100 S.Ct. 937, 63 L.Ed.2d 233 (1980); *Parker v. Brown*, 317 U.S. 341, 63 S.Ct. 307, 87 L.Ed. 315 (1943). The statute in question is self-executing, leaving nothing further to be decided by the parties or supervised by the state. It is a legislative decision “that would itself satisfy the supervision requirement.” 1 Areeda & Turner, *supra*, ¶ 213d at 76. No unsupervised private power remains. Cf. *Midcal Aluminum, supra*, 445 U.S. at 102–106, 100 S.Ct. at 941–944.

⁷17 U.S.C. § 201(e) provides as follows:

(e) *Involuntary Transfer.*—When an individual author’s ownership of a copyright, or of any of the exclusive rights under a copyright, has not previously been transferred voluntarily by that individual author, no action by any governmental body or other official or organization purporting to seize, expropriate, transfer or exercise rights of ownership with respect to the copyright, or any of the exclusive rights under a copyright, shall be given effect under this title except as provided under Title 11 [Bankruptcy].

Warner Brothers alleges no such involuntary transfer under this section.

tion; it has meant that the copyright owner has the exclusive right to transfer the material for a consideration to others. See *Morseburg v. Balyon*, 621 F.2d 972, 977 (9th Cir. 1980). "Principles of contract law are generally applicable in the construction of copyright assignments, licenses and other transfers of rights." *Key Maps, Inc. v. Pruitt*, 470 F.Supp. 33, 38 (S.D.Tex. 1978) (footnote omitted); see *Gordon v. Vincent Youmans, Inc.*, 358 F.2d 261 (2d Cir. 1965); *Clark v. West*, 137 App.Div. 23, 122 N.Y.S. 380 (2d Dept. 1910), *affirmed* 201 N.Y. 569, 95 N.E. 1125 (1911). States may restrict the forms of enforceable agreements that private parties may enter into through contract law embodied in statutes. See e.g., 2 Corbin on Contracts §§ 275-531, 6A Corbin on Contracts §§ 1373-1541 (1962); *Interstate Circuit, Inc. v. United States*, 306 U.S. 208, 227, 59 S.Ct. 467, 474, 83 L.Ed. 610 (1939) (motion picture copyright owner may not require exhibition contract terms that violate the antitrust laws.)⁸

IV.

[5, 6] This is not a First Amendment case. No one has prohibited free expression through the display of a film by anyone. "Superman II" may be shown wherever an audience can be attracted, whether in a theatre or in the public square. See e.g., *Southeastern Promotions v. Conrad*, 420 U.S. 546, 555, 95 S.Ct. 1239, 1245, 43 L.Ed.2d 448 (1975); L. Tribe, American Constitutional Law §§ 12-21 (1978). That free expression is guaranteed in the marketplace of ideas as a fundamental constitutional principle, see Tribe, American Constitutional Law, *supra*, at § 12-1; *Abrams v. United States*, 250 U.S. 616, 630, 40 S.Ct. 17, 22, 63 L.Ed. 1173 (1919) (Holmes, J., dissenting), however, is not in any way tantamount to a guarantee that such expression will be compensated on terms most desired by its author.⁹

V.

[7] Nor has Warner Brothers been deprived of its property. It still has it. It may still vend it. But, if it does so in motion picture theatres in Utah it must do so in accordance with the applicable Utah law of contracts, including Utah Code Ann. § 13-13-4 (1981 supp.)¹⁰

⁸ A parallel argument would be that videocassettes of Warner Brothers' motion pictures marketed by Warner Brothers would be exempt from the sale of goods provisions of the Utah Uniform Commercial Code, see Utah Code Ann. §§ 70A-2-101 *et seq.*, or that Warner Brothers' contracts are exempted by the Copyright Act from the operation of the statute of frauds, Utah Code Ann. § 25-5-1 *et seq.* (1976). Plaintiff offers no authority for such a view.

⁹ See *Allied Artists Pictures Corp. v. Rhodes*, 496 F.Supp. 408, 432-35 (S.D.Ohio 1980). Judge Troutman was looking at a different statute through a different lens in *Associated Film Distribution Corp. v. Thornburgh*, 520 F.Supp. 971, (E.D.Pa.1981), rendering the result therein distinguishable from the case at bar.

¹⁰ A state may reasonably regulate—even restrict—the use of private property without giving rise to a "taking". See *Penn Central Transp. Co. v. New York City*, 438 U.S. 104, 98 S.Ct. 2646, 57 L.Ed.2d 631 (1978).

VI.

[8] Reduced to its essence, and expressed in the simplest of terms, Warner Brothers is asking this Court to determine that the legislative effort embodied in section 4 is an “unreasonable” interference with its freedom to make contracts as it pleases, and is therefore an unconstitutional abridgement of “liberty of contract.” This is a claim similar to that which prevailed in *Lochner v. New York*, 198 U.S. 45, 25 S.Ct. 539, 49 L.Ed. 937 (1905).¹¹

Is section 4 unreasonable?

Admittedly, it limits certain kinds of contractual arrangements. Indeed, that is its purpose. In marketing a film, a distributor is forced to make a choice between a guarantee from an exhibitor of a minimum payment, or a percentage of the admissions charged by the exhibitor. He is precluded from having both at the same time.

Such is neither unreasonable nor unconstitutional—either under the federal or state constitutions. It is a rational effort on the part of the legislature to maintain a semblance of sense in distribution in an industry not particularly noted for rationality. The economic interest of the State and its legislative effort challenged herein is not that of restricting competition; in fact, it is one of preserving and fostering competition, stemming the flow of economic concentration, and limiting monopoly and its fruits—indeed, of effecting in some small way the goal of the antitrust consent decrees heretofore entered on a national level divorcing motion picture distribution from exhibition,¹² thus precluding distributors from

¹¹Substantive due process analysis in the economic field of the type exemplified by *Lochner* has been lain dormant since *Nebbia v. New York*, 291 U.S. 502, 54 S.Ct. 505, 78 L.Ed. 940 (1934) and *West Coast Hotel Co. v. Parrish*, 300 U.S. 379, 57 S.Ct. 578, 81 L.Ed. 703 (1937). Since then, judicial scrutiny of economic legislation has been minimal at best. *E.g.*, *Ferguson v. Skrupa*, 372 U.S. 726, 83 S.Ct. 1028, 10 L.Ed.2d 93 (1963). At times the courts have posed even hypothetical grounds justifying enactment of challenged legislation. See *Williamson v. Lee Optical Co.*, 348 U.S. 483, 75 S.Ct. 461, 99 L.Ed. 563 (1955). While judicial scrutiny has remained strict in some non-economic areas, *e.g.*, *United States v. Carolene Products Co.*, 304 U.S. 144, 152–53 n. 4, 58 S.Ct. 778, 783–784 n. 4, 82 L.Ed. 1234 (1938), economic regulation has been sustained “if any state of facts either known or reasonably inferable afforded support for the legislative judgment.” L. Tribe, *American Constitutional Law* § 8–7 at 450 (1978).

Recalling that *Nebbia v. New York* required that the legislative “means selected shall have a real and substantial relation to the end sought to be attained,” *id.*, 291 U.S. at 525, Professor Gerald Gunther has urged a more stringent judicial scrutiny of the rational basis of legislation “by testing the reasonableness of the means in terms of the purposes put forth by the defenders of the law, rather than the Court’s attribution of purposes a legislature *might* have had[.]” G. Gunther, *Cases and Materials on Constitutional Law* 540 (10th ed. 1980) (emphasis in original). This Court has applied that analytical approach to this case. See Hrg. Tr. at 28–54.

¹²See *United States v. Paramount Pictures, Inc.*, 334 U.S. 131, 68 S.Ct. 915, 92 L.Ed. 1260 (1948), *on remand*, 85 F.Supp. 881 (S.D.N.Y. 1949).

doing indirectly what they have agreed not to do directly and have been told not to do at all. This modest effort in the regulation of contracts is in no sense unconstitutional. Liberty of contract is not abrogated by a legislative redistribution of economic bargaining power in the competitive marketplace.¹³ "It is by now well established that legislative Acts adjusting the burdens and benefits of economic life come to the Court with a presumption of constitutionality, and that the burden is on one complaining of a due process violation to establish that the legislature has acted in an arbitrary and irrational way." *Usery v. Turner Elkhorn Mining Co.*, 428 U.S. 1, 15, 96 S.Ct. 2882, 2892, 49 L.Ed.2d 752 (1976). The courts are not to function as "superlegislature[s] to judge the wisdom or desirability of legislative policy determinations made in areas that neither affect fundamental rights nor proceed along suspect lines . . ." *City of New Orleans v. Dukes*, 427 U.S. 297, 303, 96 S.Ct. 2513, 2517, 49 L.Ed.2d 511 (1976).

Merely being deprived of the "freedom to bargain for a type of classically utilized [contractual] terms," Hrg. Tr. at 70, does not by definition violate the Constitution; "legislation readjusting rights and burdens is not unlawful solely because it upsets otherwise settled expectations." *Usery v. Turner Elkhorn Mining Co.*, *supra*, 428 U.S. at 16,¹⁴ 96 S.Ct. at 2893.

VII.

The relief sought under Rule 56 is DENIED. At this point, it appears to me from the record that it would serve no useful purpose to set this matter down for trial. Nothing remains to be tried that I can see. This has been a facial attack, rather than an attack as to the statute's application to specific facts. Summary judgment therefore shall be entered in favor of

¹³Such redistribution of power, for example, forms the basis of much labor legislation, see *Coppage v. Kansas*, 236 U.S. 1, 27, 35 S.Ct. 240, 248, 59 L.Ed. 441 (1915) (Holmes, J., dissenting); W. Oberer, K. Hanslowe & J. Andersen, *Cases and Materials on Labor Law* (2d ed. 1979); and the antitrust laws. See 1 Areeda & Turner, *supra*, at ¶ 109.

¹⁴Warner Brothers implicitly assails the Utah Legislature's decision to regulate motion picture distribution contracts in the manner specified as a denial of equal protection of the laws. See Hrg. Tr. at 72. As the United States Supreme Court observed in *Central Lumber Co. v. South Dakota*, 226 U.S. 157, 33 S.Ct. 66, 57 L.Ed. 164 (1912),

If the legislature shares the now prevailing belief as to what is public policy and finds that a particular instrument of trade war is being used against that policy in certain cases, it may direct its law against what it deems the evil as it actually exists without covering the whole field of possible abuses, and it may do so none the less that the forbidden act does not differ in kind from those that are allowed.

226 U.S. at 160, 33 S.Ct. at 67 (citations omitted); see also *Railway Express Agency v. New York*, 336 U.S. 106, 69 S.Ct. 463, 93 L.Ed. 533 (1949). The challenged statute does not even seek to regulate all means of distribution of motion pictures. See e.g., *Salt Lake Tribune*, December 18, 1981, at C9 (Warner Brothers' advertisement for rental of "Superman II" and other motion pictures on videocassettes).

the defendant and the intervenor and the complaint herein shall be DISMISSED. See *Service Personnel, etc. Teamsters Local Union No. 205 v. Carl Colteryahn Dairy, Inc.*, 436 F.Supp. 341, 345 (W.D.Pa.1977).

**WARRINGTON ASSOCIATES, INC. v. KELLOGG CITIZENS
NATIONAL BANK, et al.**

No. 80-C-895

*(United States District Court, E. D. Wisconsin—Decided December 3,
1981)*

215 USPQ 375

Action by Warrington Associates, Inc., against Kellogg Citizens National Bank, and Gregory N. Dedic, for copyright infringement, breach of contract, misappropriation of trade secrets, and unfair competition. On plaintiff's motion for partial summary judgment. Motion denied.

COPYRIGHTS

1. Infringement—In general

Infringement—Evidence of

To prove infringement of copyright one must establish ownership of copyright and copying by defendant; because it is generally not possible to establish copying by direct evidence, courts have held that copying may be established indirectly by proof that defendant had access to copyrighted work and that there is substantial similarity between copyrighted work and defendant's work.

Michael E. Husmann, and Michael, Best & Friedrich, both of Milwaukee, Wis., and Jack A. Rovner, and Kirkland & Ellis, both of Chicago, Ill., for plaintiff.

Thomas O. Kloehn, and Quarles & Brady, both of Milwaukee, Wis., and Gary R. Weidner, and Hanaway, Ross, Hanaway & Weidner, both of Green Bay, Wis., for defendants.

WARREN, *District Judge*. The plaintiff, Warrington Associates, Inc., (Warrington), filed this action against the defendants, Kellogg Citizens National Bank (Kellogg) and Gregory N. Dedic, former vice-president at Kellogg, to recover damages and obtain equitable relief. Plaintiff seeks to establish defendants' liability on the following four legal theories, which plaintiff sets forth in Counts I through IV of the com-

plaint: (1) infringement of copyrights under the Copyright Act of 1976, 17 U.S.C. § 101 et seq., and conspiracy to infringe copyrights under common law; (2) breach of contract under common law; (3) misappropriation of and conspiracy to misappropriate trade secrets under common law; and (4) unfair competition and conspiracy to engage in unfair competition under common law. Presently before the Court is plaintiff's motion pursuant to Rule 56 of the Federal Rules of Civil Procedure for partial summary judgment in which plaintiff asks the Court to find defendants liable, as a matter of law, on counts I and II.

Summary judgment is appropriate only if it appears that there is no genuine issue as to any material fact and that the moving party is entitled to judgment as a matter of law. *Fitzsimmons v. Best*, 528 F.2d 692, 694 (7th Cir. 1976); Fed. R. Civ. P. 56(c). The burden is upon the moving party to show that there is no issue of material fact in dispute. *Rose v. Bridgeport Brass Co.*, 487 F.2d 804, 808 (7th Cir. 1973), and all doubts as to the existence of an issue of material fact must be resolved against the movant. *Moutoux v. Gulling Auto Electric, Inc.*, 295 F.2d 573, 577 (7th Cir. 1961).

Background

Plaintiff is a Minnesota corporation engaged in the business of developing, designing, marketing, promoting, and maintaining computer programs and appurtenant documentation, commonly referred to collectively as "software packages," for financial institutions throughout the United States and Canada. Plaintiff's customers use the software packages with their own computer equipment as well as with equipment supplied by plaintiff.

Plaintiff designed and developed a software package, called the Warrington "Security Safekeeping System" (System), for use by banks in managing their safekeeping transactions. Banks use the system to perform numerous tasks involved in safekeeping operations. The System consists of programs, technology, documentation, drawings, descriptions, models, reports, and other media, all designed, developed, and maintained by plaintiff. According to plaintiff, it has expended in excess of \$900,000.00 and fifteen man-years in developing and marketing the System.

Plaintiff alleges that prior to the time of the acts at issue in this lawsuit, the process by which the System performed its various functions and the methods by which it was developed were confidential, proprietary trade secrets. The secret process and methods of the System are revealed in what plaintiff refers to as the "Warrington Confidential Materials." These materials include the programs, technology, documentation (including the instructional and operational manuals), descriptions, models, and reports relating to the System. According to plaintiff, at the time of the acts at issue in this case, plaintiff had not disclosed the confidential materials to

anyone except customers or potential customers who agreed to execute a nondisclosure agreement. Plaintiff attached to every copy of its confidential manuals, entitled "Security Safekeeping System User's Manual" [User's Manual] and "Security Safekeeping System Operations Manual" [Operations Manual], the appropriate form of notice of claim of copyright as required by 17 U.S.C. § 401.

In January of 1977, plaintiff entered into an agreement with defendant Kellogg for installation of the System software package at the bank. In accordance with the agreement, Kellogg received from plaintiff computer programs on tape, a source code, program listings, the User's Manual, and the Operations Manual. These items are referred to collectively in the agreement as the "Software." Paragraph 4 of the agreement recites Kellogg's promise to maintain the confidentiality of the Software.

Use of Software: Notwithstanding any other provision of this Agreement, Buyer shall not divulge or allow to be divulged any data or information with respect to the Software or the computer program and technology embodied therein, or any documentation, drawings, descriptions, models, reports or other media relating thereto. * * *

Each manual received by Kellogg under the agreement has on its title page plaintiff's claim of copyright. These manuals as well as other versions and editions recently have been registered by plaintiff with the United States Copyright Office. (Warrington Aff. at 5.)

In his affidavit, Edward L. Warrington alleges that the defendant Dedic contacted him on or about June 7, 1978, regarding the software package purchased by Kellogg. Dedic indicated to Mr. Warrington that he wished to have the System software package rewritten in "Basic Language" so that it could be used on a Wang mini-computer. In making his request, indicates Mr. Warrington, Mr. Dedic represented that such action would not violate Kellogg's contract with plaintiff. Mr. Warrington refused to give permission to Dedic. On June 9, 1978, Mr. Warrington received a letter in which Dedic again requested that the computer program be rewritten for use with the Wang computer.

A short time prior to the institution of the present lawsuit, Mr. Warrington learned that a competitor named Real-Time Systems Engineering, Inc. (Real-Time), which markets Wang mini-computers and software packages, has been doing business with Kellogg and Dedic. According to Mr. Warrington's affidavit. Real-Time has provided Kellogg with a safekeeping software package substantially the same as the Warrington System. According to Mr. Warrington, Real-Time has provided this software package to other banks as well.

On March 19, 1980, plaintiff filed a lawsuit against Real-Time in the United States District Court for the Northern District of Illinois. Warrington Associates, Inc. v. Real-Time Engineering Systems, Inc., No.

80-C-1349 (N.D. Ill. Cmplt. filed March 19, 1980.) In the course of the Real-Time litigation, plaintiff has taken several depositions, portions of which have been submitted to this Court in support of the present motion for partial summary judgment.

The deposition of defendant Dedic taken during the Real-Time litigation contains the following regarding the Warrington User's Manual:

Q. Do you recall ever making the Warrington Associates Safekeeping System User's Manual available to anyone?

A. To look at, yes.

Q. And to whom did you make it available to look at?

A. To Tom Mulligan. (Dedic Dep. at 109.)

Thomas Mulligan, at the time of the Dedic deposition, was president of Real-Time. Mulligan's deposition was also taken during the Real-Time litigation, and reads in relevant part as follows:

Q. Now, the copy [of Warrington's user's manual] that you took from Mr. Dedic on that date, did it have red covers?

A. Well, can you define took? Mr. Dedic gave the book to me.

Q. Was it obvious to you that it had been xeroxed?

A. The trademark Xerox, I couldn't tell you. It looked like a reproduction, yes.

* * * *

Q. Can you describe your discussion concerning Mr. Dedic giving and you taking this document? What was said about it?

A. It was part of the stack of material that he had for me and he simply made note that this is a copy of the book we use. At some time during the day we opened the book, went through it, and I took it along with the rest of the materials back with me. (Mulligan Dep. I at 160-61.)

In response to plaintiff's discovery requests during the Real-Time litigation, both Real-Time and Kellogg produced copies of the User's Manual. Both manuals are the subject of a protective order in the Real-Time case and therefore have not been submitted to this Court as exhibits. Counsel for plaintiff has indicated, however, that these manuals can be submitted to the Court for in-camera inspection. In lieu of submitting the manuals, plaintiff's counsel has described in his affidavits the contents of the manuals. Kellogg's copy of the manual contains penciled markings on various pages. Identical markings are found on the copy of the manual produced by Real-Time in response to the discovery request. (Supp. Rovner Aff. at 3.)

On the basis of the foregoing, plaintiff asserts that there is no question regarding whether defendants Dedic and Kellogg infringed plaintiff's copyright. They argue further that the record establishes defendants' liability for breach of the nondisclosure provision of the contract between plaintiff and Kellogg.

Count I: Copyright Infringement

[1] To prove infringement of copyright one must establish (1) ownership of the copyright and (2) "copying" by the defendant. 3 Nimmer on Copyright § 13.01 (1981). Because it is generally not possible to establish copying by direct evidence, courts have held that copying may be established indirectly by proof that a defendant had access to the copyrighted work and that there is substantial similarity between the copyrighted work and the defendant's work. See *Durham Indus., Inc. v. Tomy Corp.*, 630 F.2d 905, 911, 208 USPQ 10 (2d Cir. 1980); *Ferguson v. National Broadcasting Co.*, 584 F.2d 111, 113, 200 USPQ 65, 65-66 (5th Cir. 1978); *Sid & Marty Krofft Television Productions, Inc.*, 562 F.2d 1157, 1162 (9th Cir. 1977). See also 3 Nimmer on Copyright § 13.01[B] (1981).

By affidavit both defendants deny they photocopied plaintiff's User's Manual. Defendant Dedic states he did not photocopy the manual nor authorize or instruct anyone else to do so. Dedic also maintains that the deposition statements made by Thomas Mulligan in the Real-Time litigation (quoted-above) are incorrect. (Dedic Aff. at 1, 2.) Defendant Kellogg by its president, John M. Rose, also denies having made any photocopies or having authorized any employee to do so. (Rose Aff. at 2.)

Plaintiff argues that defendants' affidavits are defective and thus insufficient to put the matter of "copying" at issue. Plaintiff argues that the Rose affidavit is inadequate because it states that the Bank "believes" none of its employees made any copies while acting within the scope of their employment. However, the affidavit also makes other definitive statements regarding the bank's refusal to authorize anyone to make copies. Plaintiff argues that Dedic's affidavit is inadequate because partially based upon hearsay. Nevertheless, Dedic asserts that Thomas Mulligan's deposition statements are incorrect. Whether Mulligan's deposition statements were accurate cannot be determined from the present record.

The Court concludes that there exist genuine issues of fact regarding plaintiff's claim for copyright infringement. As indicated above, to prove "copying" one must show substantial similarity between the copyrighted work and "defendant's work." Although it is evident from the record that Real-Time at some point acquired a copy of the User's Manual, it is not clear who made that copy or whether that copy was "defendants' work." The copy held by Real-Time may have been made not by Kellogg, but rather by Real-Time. If Real-Time did make the copy, it may have done so with or without the knowledge and consent of defendants. The record is not clear. For this reason, the Court cannot hold that plaintiff is entitled to partial summary judgment on its claim for copyright infringement. Accordingly, plaintiff's motion for partial summary judgment is denied with respect to count I of the complaint.

Count II: Breach of Contract

The record before the Court clearly shows that defendants disclosed to Real-Time the contents of the Warrington User's Manual. See Dedic Deposition, quoted above. In their briefs in opposition to plaintiff's motion defendants do not contest that the manual was in fact disclosed. Nevertheless, both defendants argue that plaintiff is not entitled to judgment on its claim for breach of contract.

Defendant Dedic argues that he cannot be held liable for breach of contract because he was not a party to the contract between plaintiff and Kellogg. The Court agrees with defendant Dedic and, therefore, denies plaintiff's motion for partial summary judgment on count II with respect to Dedic.

Defendant Kellogg urges that the nondisclosure provision of the contract between plaintiff and Kellogg constitutes an illegal restraint of trade. As such, argues defendant, the contract is unenforceable. Defendant Kellogg asks the Court not only to deny plaintiff's motion for partial summary judgment, but also to dismiss all plaintiff's claims which are based upon the contract between the two parties.

The contract entered into between plaintiff and Kellogg provides that the law of Minnesota will govern the contract. Kellogg argues that Wisconsin law, rather than Minnesota law, should govern the contract because enforcement of the contract's nondisclosure provision would be contrary to the public policy of the State of Wisconsin.

It is well settled that a federal court must apply the choice-of-law rules of the state in which it sits. *Klaxon Co. v. Stentor Electric Mfg. Co.*, 313 U.S. 487, 49 USPQ 515 (1941). In Wisconsin, a court will honor the parties' contractual choice-of-law designation unless application of the chosen state's law would be contrary to a fundamental public policy of the State of Wisconsin. See Restatement (Second) Conflict of Laws § 187 (cited with approval in *First Wisconsin Nat'l Bank of Madison v. Nicolaov*, 85 Wis.2d 393 (Ct. App. 1978), appeal dismissed 87 Wis.2d 360 (1979)). Defendant contends that the policy in Wisconsin against unlawful restraints of trade prevents enforcement of the nondisclosure provision of the parties' contract. In support of its argument, defendant cites several old decisions of the Wisconsin Supreme Court which declare certain restraints of trade unlawful as a matter of public policy. See, e.g., *Pulp Wood Co. v. Green Bay Paper & Fiber Co.*, 168 Wis. 400 (1919); *Tecktonious v. Scott*, 110 Wis. 441 (1901); *Berlin Machinery Works v. Perry*, 71 Wis. 495 (1888), None of these cases, however, are helpful in the factual context of the instant case.

Defendant also relies upon the Wisconsin Supreme Court's decision in *Gary Van Zeeland Talent, Inc. v. Sanders*, 84 Wis.2d 202 (1978). In *Van Zeeland*, the plaintiff was a talent booking agency in the business of plac-

ing musical groups in various jobs. The plaintiff had employed the defendant as a talent scout and had trained him in various business techniques. The defendant left the plaintiff's business after several years and took with him copies of a customer list. The defendant admitted that he planned to start his own talent agency in competition with the plaintiff's agency.

The plaintiff filed suit against the defendant alleging that the defendant had stolen a trade secret. Concluding that the customer list was not a trade secret, the court affirmed the lower court's grant of summary judgment in favor of the defendant. The court refused to hold that the defendant was estopped from denying the list was a trade secret, even though the defendant had signed an agreement which provided the following:

The Employee recognizes and acknowledges that the list of the Employer's customers, as it may exist from time to time, is a valuable, special, and unique asset of the Employer's business. 84 Wis.2d at 216.

With respect to the plaintiff's argument regarding estoppel, the court stated:

As a matter of public policy, we conclude that estoppel is not appropriate in a restraint-of-trade situation. As stated above, it is the public policy of the common law that there will be unrestrained competition to further the welfare of the consumer and society in general. Matters of trade practice or information in respect to manufacturing processes will be afforded the status of trade secrets only when to do so furthers public policy. 84 Wis. 2d. at 216-17.

Although Van Zeeland sets forth broad statements regarding restraints of trade, the Court does not believe that the case addresses the issues in the instant case. In *Van Zeeland*,³ enforcement of the agreement between the parties would have foreclosed the defendant from competing against the plaintiff. Unlike the present case, the conflict in *Van Zeeland* involved a former employee competing against his former employer. The instant case involves merely a promise between two noncompeting parties under which the buyer agreed not to disclose certain confidential information. The nondisclosure agreement presently before the Court does not have the same potential for adversely affecting competition as did the agreement between the parties in *Van Zeeland*. At least one court has recognized a distinction between covenants which have as their purpose to prevent competition and those which simply prevent the disclosure of confidential information. See *Structural Dynamics Research Corp. v. Engineering Mechanics Research Corp.*, 401 F. Supp. 1102, 1114 (E.D. Mich. 1975).

Contrary to defendants' argument, the Court concludes there is no fundamental public policy in the law of Wisconsin which would require the application of Wisconsin law rather than Minnesota law. Although the Court concludes that Minnesota law may properly be applied in the instant

case, neither plaintiff nor defendant Kellogg has cited any cases, nor is the Court aware of any applicable Minnesota precedents, which resolve the issue of enforceability of the parties' contract. Nevertheless, plaintiff has cited authority from other jurisdictions which supports its position.

Most persuasive among the cases cited by plaintiff is *Com-Share, Inc. v. Computer Complex, Inc.*, 338 F. Supp. 1229 (E.D. Mich. 1971) *aff'd per curiam*, 458 F.2d 1341 (6th Cir. 1971), in which the court enforced an agreement between the parties regarding the nondisclosure of computer software. The contract between the parties provided that they would exchange information regarding computer hardware and software. The nondisclosure provision in the agreement provided as follows:

Com-Share and Southern [now Computer Complex, Inc.] each agree not to lease, sell or otherwise divulge to any third party interest, without the prior written consent of the other, any and all systems software developments supplied to it by the other. 338 F. Supp. at 1232.

After conducting a hearing which included the testimony of several witnesses, the court concluded that defendant had breached the contract and, therefore, granted plaintiff's motion for a preliminary injunction. Contrary to the defendant's argument that the plaintiff's software was not secret, but rather "in the public domain," the court concluded that plaintiff's software system was "secret, confidential and proprietary in nature." 338 F. Supp. at 1236.

Defendant in the instant case argues that the information subject to the nondisclosure provision in the parties' contracts was not confidential. It contends that plaintiff made certain parts of that information public, thus destroying its confidentiality. Specifically, the affidavit of Charles A. Grube, attorney for defendant Kellogg, provides, in part, as follows:

Warrington has admitted that it freely distributes certain sales brochures or pamphlets in connection with the marketing of its Security Safekeeping System. Warrington does not treat these documents as confidential, and does not require any promises of confidentiality from the recipients of these brochures. (Grube Aff. at 1.)

The affidavit continues:

5. Based upon my personal comparison, the 1974 version of the sales brochure discloses much of the documentation contained in the User's Manual. The sales brochure also contains reports identical to those contained in the User's Manual. In addition, the sales brochure has descriptions of many of the same items described in the User's Manual.

6. The 1972 version of the sales brochure also reproduces much of the same documentation as is contained in the User's Manual. The 1972 version of the sales brochure also discloses reports identical to those contained in the User's Manual, and has descriptions of many of the same items described in the User's Manual. The

1972 version of the sales brochure also contains a flow chart model of the entire Warrington Security Safekeeping System.

7. Both the 1972 and 1974 versions of the sales brochure contain explanatory text describing various report forms and other documentation used in connection with the Warrington Security Safekeeping System. This explanatory text discloses much of the same information as is disclosed by the explanatory text in the User's Manual. (Grube Aff. at 2.)

Plaintiff responds to defendant's argument regarding confidentiality by noting that the plaintiff's advertisement brochures have not disclosed the key operational components of the Security Safekeeping System. (Plaintiff's Reply Brief at 11.) According to plaintiff, this key information has been disclosed in the User's Manual and not in any of its brochures.

On the basis of the present record, the Court cannot conclude that the information which plaintiff sought to protect with the nondisclosure agreement was confidential. If the User's Manual did indeed contain confidential information regarding plaintiff's software systems, the plaintiff is entitled to enforcement of the nondisclosure agreement, as indicated by the district court's holding in Com-Share. Whether the information was confidential, however, is a genuine issue of fact which must be resolved after the presentation of more evidence. Because the Court finds that there exists a genuine issue as to a material fact of plaintiff's claim for breach of contract, the Court must deny plaintiff's motion for partial summary judgment with respect to count II.

In summary, the Court DENIES plaintiff's motion for partial summary judgment on the issue of defendants' liability for copyright infringement and breach of contract.

SO ORDERED.

WARRINGTON ASSOCIATES, INC., a Minnesota corporation, Plaintiff, v. **REAL-TIME ENGINEERING SYSTEMS, INC.**, an Illinois corporation, Defendant

No. 80 C 1349

(United States District Court, N. D. Illinois, E. D. — August 26, 1981)

522 F.Supp. 367. 216 USPQ 1024

Designer and marketer of computer software programs brought action alleging wrongful appropriation and use of its trade secrets. On defendant's motion for summary judgment, the

District Court, Moran, J., held that: (1) the Copyright Act did not preempt plaintiff's claim of trade secret misappropriation; (2) substantial issues of fact existed as to whether plaintiff had received assurances of confidentiality from users of software programs and as to defendant's intent to misappropriate plaintiff's trade secrets, precluding summary judgment; and (3) references to corporate defendant and its officer as coconspirators would be stricken from pleadings, since normally a corporation cannot conspire with its own officers, and there was no evidence suggesting that officer's interests did not complement those of the corporation.

Order accordingly.

1. Copyrights and Intellectual Property

Copyright protection extends not to an idea itself, but, rather, to the particular expression used by its author.

2. Torts

The protection provided by the common law of trade secret misappropriation extends to the very ideas of the author, subject to the requirement that the idea has some originality and is as yet undisclosed or disclosed only on the basis of confidentiality.

3. Torts

Under both Minnesota and Wisconsin law, tort of misappropriation of trade secrets is premised on concepts of breach of trust and confidentiality, and not copying.

4. States

The Copyright Act did not preempt plaintiff's claim of trade secret misappropriation. 17 U.S.C.A. § 101 et seq.

5. Federal Civil Procedure

In action brought by designer and marketer of computer software programs to recover for misappropriation of trade secret, substantial fact issue existed as to whether plaintiff had received assurances of confidentiality from users of software programs and as to defendant's intent to misappropriate plaintiff's trade secrets, precluding summary judgment.

6. Conspiracy

Normally, a corporation cannot conspire with its own officers.

7. Conspiracy

In action brought by designer of computer software programs to recover for trade secret misappropriation, references to corporate defendant and its officer as coconspirators would be stricken from pleadings, since normally a corporation cannot conspire with its own officers, and there was no evidence suggesting that officer's interest did not complement those of the corporation.

Samuel A. Haubold, Jack A. Rovner of Kirkland & Ellis, Chicago, Ill., for plaintiff.

Michael Piontek, Thomas R. Juettner of Gary, Juettner & Pyle, Chicago, Ill., for defendant.

MEMORANDUM AND ORDER

MORAN, *District Judge*. Plaintiff, Warrington Associates, Inc. ("Warrington"), a designer and marketer of computer software programs

for banks and other financial institutions, has filed this action alleging the wrongful appropriation and use of its trade secrets and proprietary materials by defendant, Real-Time Engineering Systems, Inc. ("Real-Time"). More specifically, in its five-count amended complaint, Warrington alleges that Real-Time, individually and in conspiracy with others, misappropriated Warrington's secret computer software programs (Count I), unlawfully interfered with and conspired to breach contractual assurances of confidentiality owed to Warrington (Counts II and III), infringed Warrington's copyrights (Count IV), and engaged in unfair competition (Count V).

Now before the court is what was, initially, Real-Time's motion to dismiss all but the federal copyright claims on the ground that the common law tort counts are preempted by the Copyright Act of 1976, 17 U.S.C. § 101 *et seq.* Both sides, however, have submitted extensive evidence outside the pleadings, as well as legal memoranda raising additional issues and sounding like post-trial briefs. In light of these submissions, pursuant to Fed.R.Civ.P. 12(b), the motion has been regarded as one for summary judgment. Stripped of their hyperbole, the memoranda raise several discrete issues: (1) whether the common law trade secrets claims are preempted by federal law; (2) if they are not, whether Warrington, by securing copyright protection for its User's Manual, has so extensively disclosed its confidential information so as to forfeit any common law protection for those secrets; and (3) whether Real-Time intended to pirate Warrington's materials. Because the court concludes, first, that the trade secrets claims are not preempted, and second, that genuine material issues of fact remain as to Real-Time's intent to misappropriate as well as the extent to which the information was disclosed without assurances of confidentiality, the motion for summary judgment is denied.

A. Legal Issues: Preemption.

The scope of federal preemption of state law by the Copyright Act is prescribed by that statute itself. In Section 301(b), the Act provides:

Nothing in this title annuls or limits any rights or remedies under the common law or statutes of any State with respect to

* * * * *

(3) activities violating legal or equitable rights that are not equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106.

[1, 2] An analysis of the interests secured by Copyright and trade secret law makes plain that the claims are not "equivalent" as intended by the Congress. It is well-settled that copyright protection extends not to an idea itself, but rather to the particular *expression* used by its author. *Sid &*

Marty Krofft Television Productions, Inc. v. McDonald's Corporation, 562 F.2d 1157 (9th Cir. 1977); *Universal Athletic Sales Co. v. Salkeld*, 511 F.2d 904 (3rd Cir. 1975). In contrast, the protection provided by the common law of trade secret misappropriation extends to the very ideas of the author, subject, of course, to the requirement that the idea has some originality and is as yet undisclosed or disclosed only on the basis of confidentiality. *Ferroline Corp. v. General Aniline & Film Corp.*, 207 F.2d 912, 921 (7th Cir. 1953); *Wesley-Jensen, Inc. v. Reynolds*, 182 U.S.P.Q. 135 (N.D.Ill.1974). The practical distinction between the two interests is manifest. While disclosure of the expression does not vitiate rights secured by copyright law, that same disclosure may well strip the underlying idea of its confidentiality, and thus its status as a trade secret. To a certain degree the two respective rights in intellectual property interact. To the extent a work has been copyrighted and published, the chances of unprivileged disclosure may increase. But the mere fact that an expression is copyrighted does not, in and of itself, disclose the trade secret or eliminate its mantle of confidentiality.

In light of the analysis expressed above, it is hardly surprising that neither Congress nor the courts have viewed the federal Copyright Act as preempting the common law of trade secret misappropriation. For example, in the legislative history of the Copyright Act, the House Committee Report states:

The evolving common law rights of "privacy," "publicity," and trade secrets, . . . would remain unaffected so long as the causes of action contain elements such as an invasion of personal rights or a breach of trust or confidentiality. . . .

H.Rep.No. 94-1476, 94th Cong., 2d Sess. 132 (1976) *reprinted in* 5 U.S.Code Cong. & Admin.News at 5746-5747 (1976).

[3] Both federal and state courts have concurred. In an analogous context, the Supreme Court found nothing incompatible between the law of trade secrets and federal patent statutes. *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 94 S.Ct. 1879, 40 L.Ed.2d 315 (1974). If anything the congruence and, concomitantly, the likelihood of preemption, between patent and trade secret law is stronger than between trade secret and copyright law. *See also, Synercom Technology, Inc. v. University Computing Co.*, 474 F.Supp. 37 (N.D.Tex.1979); *Compumarketing Services Corp. v. Business Envelope Manufacturers, Inc.*, 342 F.Supp. 776, 777 (N.D.Ill.1972). Finally, whether Wisconsin or Minnesota law is applied,¹

¹As this is a diversity action, substantive state law governs the common law counts. Concurrently, as an Illinois court, that state's choice of law rules also apply here. *Klaxon v. Stentor Co.*, 313 U.S. 487, 61 S.Ct. 1020, 85 L.Ed. 1115 (1941). In this instance, the parties have assumed that Wisconsin law would determine the common law claims. While not rejecting this view, the Court raises the possibility that under Illinois' "most significant relationship" approach to tort claims, *Intersoll v. Klein*, 46 Ill.2d 42, 45, 262 N.E.2d 593 (1970), the law of

state law provides an area of protection extending beyond copyright. The highest courts of both states have continued to recognize causes of action for trade secret misappropriation subsequent to the amendment of the federal Copyright Act in 1976. The common law of each of these forums stresses that the trade secrets tort is premised on concepts of breach of trust and confidentiality, and not copying. See *Eutectic Welding Alloys Corp. v. West*, 281 Minn. 13, 160 N.W.2d 566, 570 (1968); *Cherne Industrial, Inc. v. Grounds & Associates, Inc.*, 278 N.W.2d 81 (1979); *Instrumentation Services, Inc. v. General Resources Corp.*, 283 N.W.2d 902 (1979) (unfair competition). See also, *Gary Van Zeeland Talent, Inc. v. Sandas*, 84 Wis.2d 202, 267 N.W.2d 242 (1978); *Abbott Laboratories v. Norse Chemical Corp.*, 33 Wis.2d 445, 147 N.W.2d 529 (1967).

[4] Accordingly, the court holds that the Copyright Act does not preempt Warrington's common law tort claims in this action.

B. Factual Issues: Disclosure, Access and Intent

[5] As noted above, although the Copyright Act does not preempt Warrington's trade secret claim, the fact that it registered its User's Manual for a copyright might well affect the continued secrecy of the ideas in that manual for which Warrington seeks trade secret protection. However, on the basis of the record before the court, no final determination on this issue can be made at this time. Viewing the evidence favorable to Warrington, deposition testimony permits the inference that Warrington only released the copyrighted manual after receiving assurances of confidentiality from the users. Thus, while Warrington's self-serving declaration that it registered the manual with the Copyright Office as "unpublished" does not, in itself, defeat Real-Time's claim that Warrington's information is in the public domain, the court cannot conclude, as a matter of law, that Warrington's proprietary materials have lost their mantle of confidentiality.²

Similarly, summary judgment also is premature with respect to other issues raised by Real-Time. For example, even assuming that Real-Time

the state of Minnesota may govern here. A final determination of this issue is not necessary since the result reached herein does not vary with the application of Minnesota or Wisconsin law.

²Real-Time relies heavily on the fact that Warrington provided the Kellogg Bank with a copy of its Manual prior to the execution of certain confidentiality agreements. This fact alone, however, does not prove that the information was no longer confidential or that Warrington failed to take appropriate precautions against disclosure. The evidence indicates that it was the practice in the computer software industry that no manuals were provided absent assurances of confidentiality. It is quite possible that the Bank was given an advance copy of the Manual only upon the understanding that such information was not to be disclosed and in contemplation of the impending execution of the actual nondisclosure agreements.

had access only to Warrington's User's Manual (as opposed to the Operations Manual and computer source tapes), the deposition testimony of Richard Mulligan, Real-Time's President, indicates that the information contained in the User's Manual is of such a highly technical nature that pirating of Warrington's trade secrets may have been possible from this source alone. As such, the fact that Real-Time's access to Warrington's materials was restricted is not determinative on summary judgment.

Finally, genuine issues of fact remain concerning Real-Time's intent to misappropriate Warrington's trade secrets. Admittedly, Warrington has not yet submitted any direct evidence demonstrating Real-Time's actual knowledge of Warrington's nondisclosure agreements. But such evidence hardly is essential to preclude summary judgment here. Mulligan's deposition testimony reveals that the overwhelming industry practice was to make available software packages upon pledges of confidentiality. Mulligan acknowledged at this deposition that Real-Time had never previously been afforded such extensive access to a competitor's materials when it proposed to develop compatible software programs for prospective clients. With these facts in the record, it is not necessary to accept Warrington's rather strident description of Real-Time's deal with the Kellogg Bank as a "kickback" in order to draw the inference that Real-Time nevertheless had notice of the Bank's confidentiality obligations and intended to disregard them. Accordingly, the motion for summary judgment is premature and is denied.

C. Co-Conspirator Claims.

[6, 7] There is, however, one point raised in Real-Time's motion that is well-taken. In its complaint, Warrington alleges that Real-time and Mulligan were co-conspirators in the pirating of Warrington's secrets. Normally, however, a corporation cannot conspire with its own officers. *Nelson Radio & Supply Co. v. Motorola*, 200 F.2d 911, 914 (5th Cir. 1952). Warrington seeks to avoid the application of this rule by citing the narrow exception created by the Fourth Circuit in *Greenville Publishing Co. v. Daily Reflector, Inc.*, 496 F.2d 391, 399 (4th Cir. 1974). In *Greenville Publishing*, the court recognized that a conspiracy between a corporate entity and its officer was possible where the officer had an independent stake in the allegedly illegal activity. Apparently citing the *Greenville* exception has proved far easier for Warrington than providing facts which might support its application. Simply put, Warrington has raised no evidence which suggests that Mulligan's interests anything but complemented those of Real-Time. Indeed, Real-Time appears to be a small corporate entity, and largely the instrumentality for Mulligan's individual efforts. Accordingly, the references concerning Mulligan and Real-Time as co-conspirators in the pleadings will be stricken.

Rosella H. WERLIN, Plaintiff, v. The READER'S DIGEST ASSOCIATION, INC., Defendant

No. 80 Civ. 5152 (RJW)

(United States District Court, S. D. New York—December 9, 1981)

528 F.Supp. 451. 213 USPQ 1041

Author of copyrighted article brought action against corporation in publishing business and author of article which appeared therein claiming copyright infringement, misappropriation, and unjust enrichment. The District Court, Robert J. Ward, J., held that: (1) where factual events described in corporation's story were based on independent research by author, and where average lay observer would not recognize article as having been appropriated from copyrighted article, articles were not substantially similar and, thus, federal copyright claim would be dismissed, however, (2) where publisher had, over period of nearly a decade, encouraged author to submit articles and ideas for articles to corporation for consideration and finally took idea from her article which was developed into new article by staff writer which piece ultimately appeared in magazine as lead article, author was entitled to compensation under theory of unjust enrichment.

Order entered.

1. Copyrights and Intellectual Property

Where author obtained copyright registration for her article that became effective within five years after work was published without notice, and where no copies of her work were distributed to general public after omission was discovered, copyright protection enjoyed by article was not invalidated by publication of article without any copyright notice having been affixed. 17 U.S.C.A. § 405(a)(2).

2. Copyrights and Intellectual Property

Generally, copying will be inferred where plaintiff establishes that defendant had access to copyrighted work and that two work are substantially similar. 17 U.S.C.A. § 501(a).

3. Copyrights and Intellectual Property

General test for determining substantial similarity between copyrighted work and alleged infringing work is whether average lay observer would recognize the alleged copy as having been appropriated from copyrighted work. 17 U.S.C.A. § 501(a).

4. Copyrights and Intellectual Property

Federal copyright laws do not protect either event or author's idea to write about event; therefore protection extends only to author's manner of expression, that is, author's analysis or interpretation of events, way he or she structures material and marshals facts, author's choice of words, and emphasis author gives to particular developments. 17 U.S.C.A. § 101-810.

5. Copyrights and Intellectual Property

Substantial similarity between copyrighted work and alleged infringing work may be found in cases where, although there is no literal or word-for-word similarity between the two works, fundamental essence or structure of substantial part of one work is duplicated in another; also, substantial similarity is probably found in certain cases where although fundamental essence or structure of work has not been duplicated, there are substantial number of instances of literal similarity between the two works. 17 U.S.C.A. § 501(a).

6. Copyrights and Intellectual Property

Even if literal duplication in alleged infringing work is relatively small, trier of fact may still find substantial similarity to copyrighted work if language duplicated is material to copied work. 17 U.S.C.A. § 501(a).

7. Copyrights and Intellectual Property

Where average lay observer would not recognize article published in national magazine as having been appropriated from copyrighted article and where factual events described in magazine article were based on independent research by author, fact that corporation in publishing business published article about Bas Mitzvah ceremony of child afflicted with Down's syndrome did not infringe upon author's copyrighted story about same subject. 17 U.S.C.A. § 501(a).

8. Trade Regulation

Essence of unfair competition claim under New York law is that defendant must have misappropriated the labors and expenditures of another and before court will hold that particular defendant, by using ideas suggested by plaintiff, thereby engaged in a "misappropriation," the plaintiff must show that defendant obtained access to idea through the use of fiduciary or confidential relationship with plaintiff or via some sort of fraudulent deception, and that defendant's use of idea deprived plaintiff of opportunity to reap its due profits on idea.

9. Copyrights and Intellectual Property

Where there was no fiduciary or confidential relationship between author of copyrighted article and publisher of article about same subject, there was no misappropriation of author's idea under New York law.

10. Copyrights and Intellectual Property

Under New York law, a contract will be implied in fact when evidence shows that parties clearly intended payment to extent of use of plaintiff's idea, though they did not set forth that intention in express language.

11. Copyrights and Intellectual Property

Where author of copyrighted article did not even know that corporation in publishing business would consider using one of her submissions as idea for article to be independently prepared by corporation staff writer, author did not contemplate receiving a "spotter's fee" in event corporation did make such a use of one of her articles and, thus there was no implied-in-fact contract between author and corporation.

12. Copyrights and Intellectual Property

Even if plaintiff has no property right in an idea, and even though no express or implied-in-fact contract for sale of use of such idea has been established, defendant may, in appropriate circumstances, nevertheless become liable to plaintiff in quasi-contract or on theory of unjust enrichment.

13. Implied and Constructive Contracts

In order to recover on quasi-contract claim under New York law, claimant must show that defendant was enriched by plaintiff, that circumstances were such that it would be unjust, in equity and in good conscience, to permit defendant to refuse to make any restitution to plaintiff.

14. Copyrights and Intellectual Property

Where corporation in business of publishing magazine had, over period of nearly a decade, encouraged author to submit articles and ideas for articles to corporation for consideration and

she was never told that one of her articles might be used as topic for independently prepared article for magazine, and eventually, after submission of article, publisher determined that topic was excellent idea whereupon topic was developed into new article by publisher's staff writer, which piece ultimately appeared in magazine as lead article, author was entitled, under New York law of unjust enrichment, to compensation.

15. States

New York law of quasi-contract was not preempted by federal copyright law. 17 U.S.C.A. §§ 101-810.

16. Implied and Constructive Contracts

Under normal principles, damages in quasi-contract are calculated by reference to actual value of benefit to defendant and not market value of services rendered by plaintiff.

Zissu & Harris, New York City, Esqs., for plaintiff; Michael Zissu, New York City, of counsel.

Warshavsky, Hoffman & Cohen, New York City, Esq., for defendant; David W. Cohen, Ava K. Doppelt and David Otis Fuller, Jr., New York City, of counsel.

DECISION OF THE COURT

ROBERT J. WARD, *District Judge*. This action is maintained under the Copyrights Act, 17 U.S.C. Sections 101-810, and principles of common law. Plaintiff is Rosella H. Werlin ("Werlin"). The sole remaining defendant is The Reader's Digest Association, Inc. ("RDA"). Werlin seeks a judgment against defendant whereby she would be afforded certain monetary and injunctive relief. Her action is based on three distinct legal claims: (1) Copyright infringement within the meaning of 17 U.S.C. Section 501(a); (2) Misappropriation within the meaning of New York tort law; and (3) Unjust enrichment within the meaning of New York contract law. The jurisdiction of the Court to hear this action is founded on 28 U.S.C. Section 1338(a), 28 U.S.C. Section 1338(b), and principles of pendent jurisdiction.

The Court, having heard the testimony adduced during the trial, having examined the exhibits received in evidence, having reviewed its contemporaneous trial notes, which include the Court's appraisal of the witnesses and their demeanor, having drawn reasonable inferences from this evidence, and having evaluated the pertinent legal principles, makes, upon the totality of the testimony and the documentary evidence, the following findings of fact and conclusions of law pursuant to Rule 52, Fed.R.Civ.P.

Background

Rosella H. Werlin is a citizen and resident of Texas. She has worked as a journalist for over fifty years. During this time she has written hundreds of articles that have been published in various newspapers and magazines

throughout the United States. She has also worked, on either a full-time or a part-time basis, for a number of newspapers and magazines over the course of her career.

Defendant RDA is a corporation organized under the laws of the State of Delaware, and has its principal place of business in Pleasantville, New York. RDA is engaged in the publishing business. Among its publications is a monthly magazine called *Reader's Digest*.

In early 1978, Werlin completed an article entitled "Rina: A Child Whose Problems Changed Many Lives." The article, which the Court will presently summarize in some detail, concerned the Bas Mitzvah ceremony of a child, Rina Cahana, who was afflicted with Down's Syndrome. This ceremony, which Werlin attended, occurred on February 18, 1977. Shortly thereafter, Werlin began to do research for her article. However, she did not begin to write it until the end of 1977, and did not complete her manuscript until the beginning of 1978. Having completed the article, Werlin then sent copies of her manuscript to a number of newspapers and magazines, asking that they consider the piece for publication. The publications to which she sent the article included the *Dallas News*, *Houston's Legal Advocate*, the *Houston Post*, and the *Texas Monthly*. In approximately June 1978, Werlin's piece was accepted for publication by *Houston's Legal Advocate*. This publication is a monthly newspaper published in Houston, Texas. It is directed towards the Houston legal community and is distributed free of charge to the approximately five thousand persons on the newspaper's mailing list.

Plaintiff's article ultimately appeared in the September 1978 issue of *Houston's Legal Advocate*. Werlin's article, as it appeared in *Houston's Legal Advocate*, is approximately 2500 words long. The bulk of the article describes the Bas Mitzvah ceremony of Rina Cahana, a thirteen-year-old girl afflicted with Down's Syndrome. It states that Rina Cahana's life-long goal was to have a Bas Mitzvah, details the roles played by her father (a rabbi) and her mother (a survivor of the Nazi concentration camps) in the achievement of that goal, and explains the physical and mental hurdles that Rina Cahana had to overcome to achieve her goal. According to the article, the Bas Mitzvah was attended by over five hundred people; among these were many family friends, a number of similarly afflicted children and their parents, certain of Rina Cahana's physicians, teachers, counselors, and physical therapists, as well as a great many interested persons among the community at large, including several nuns and priests. Notwithstanding the foregoing, Werlin testified at trial that only one priest attended the Bas Mitzvah, and that altogether only 150 people were there.

The article quotes at length from a composition prepared for the occasion by Rina Cahana, and from a sermon given by Rabbi Cahana. Parents of other children afflicted with Down's Syndrome are quoted as well regar-

ding their reactions to the ceremony. Generally, these parents stated that the Bas Mitzvah, which the article characterizes as "a triumph for Rina Cahana," had made them more hopeful with respect to the futures of their own children.

After briefly detailing the activities of a local organization, known as "Parents of Down's Syndrome Children," in dealing with the problems of bringing up children afflicted with Down's Syndrome, the article turns to a general discussion of the disease. It explains when the disease was first identified, how it manifests itself in those who are afflicted with it, what theories are currently espoused regarding the causes of the disease, and how afflicted children are normally cared for. The article concludes by theorizing as to how many children in the United States suffer from Down's Syndrome, concluding that as many as thirty thousand persons may be afflicted.

In November 1978, shortly after its publication in *Houston's Legal Advocate*, Werlin sent a copy of her article to RDA. RDA receives numerous unsolicited articles from authors. Such articles fall in two broad categories. One category consists of articles that have already appeared in another publication. Such articles are known at RDA as "pick-up pieces." The second category includes original manuscripts, that is, articles that have never been published before. Such pieces are of two varieties: some are what RDA calls "first-person" articles, which are articles recounting a particular event in the author's life; the others, known in RDA parlance as "original pieces," are articles such as customarily might be written by professional freelance authors.

In the event an unsolicited article such as the Court has just described is accepted by RDA for publication in *Reader's Digest*, RDA has a rather complicated scale for determining the compensation to be paid to the author of the article. In 1978, when Werlin submitted her article on Rina Cahana to RDA, authors of "pick-up pieces" received \$450 for each page that the article occupied in *Reader's Digest*. RDA also would pay the publication in which the article originally appeared a fee of \$450 per page. This general payment scheme did not pertain, however, in the event the reprinted article had originally appeared in a publication with which RDA had a contract governing reprint rights. In this event, RDA would pay the publication the contractually arranged fee. It would be up to the publication to decide whether the author would be paid any compensation. In 1978, RDA had such contracts with a number of major publications; however, RDA had never had such a contract with *Houston's Legal Advocate*. Compensation for other unsolicited articles that RDA selected for publication was made as follows in 1978. The fee for "first-person" articles was then \$3500. The fee for "original" articles ranged from \$2600 to \$3000, depending on the experience of the author. First-time authors generally were paid \$2600.

Occasionally, RDA receives unsolicited "first-person" articles or "original" articles that are not suitable for publication in their present form. RDA will often ask the author of such a piece to rewrite it, either on speculation or on condition that, if RDA ultimately determines not to use the piece, the author will be paid a "kill fee." In 1978, the "kill fee" was \$500.

Authors also frequently submit story ideas to RDA. In the event RDA determines that the idea could be developed into a publishable piece, RDA will either ask the person who sent in the idea to prepare a draft or give the topic to one of its staff writers. In the latter event, the individual who submitted the idea is paid a "spotter's fee." In 1978, the amount of a "spotter's fee" was \$250.

Occasionally, the editors at RDA will determine, upon reviewing a potential "pick-up piece," that, although the piece itself is not suitable to be reprinted in *Reader's Digest*, the topic of the article is a viable topic for a *Reader's Digest* article. In such event, RDA assigns one of its own writers to prepare a new article on the topic. Upon publication of the newly prepared article, RDA typically pays the author of the original article a "spotter's fee" for suggesting the topic. As noted, in 1978 the amount of a "spotter's fee" was \$250.

Before turning to the circumstances surrounding Werlin's submission of her article concerning Rina Cahana to RDA, it is necessary for the Court to discuss, in some detail, Werlin's relationship with RDA. Werlin's original contact with RDA occurred in 1970, when she communicated with RDA to determine whether it might be interested in a piece she was planning to write on Golda Meir, then Prime Minister of Israel. Mary T. Sieyn, a department editor at RDA, responded to her request by a brief letter in which she stated that RDA was not interested in the article. Sieyn concluded her letter by commenting, "Should you go ahead with your piece and place it elsewhere, however, I would be interested in seeing tearsheets of the published version." In 1971, Werlin submitted a previously published article to RDA for consideration. This article was rejected by RDA in a letter written by Helene B. Given, an associate editor at RDA.

In 1972, after her first submission to RDA had been rejected, Werlin attended the Southwest Writers Conference in Houston. There, Werlin met John H. Allen, then employed by RDA as an assistant managing editor. Allen attended the conference on behalf of RDA and gave a speech to the audience. He has given many such speeches during his career at RDA. Allen testified that, on occasions such as the Southwest Writers Conference, he normally spoke from a prepared text. In his speeches, Allen would concentrate on explaining the types of articles in which RDA was interested and on encouraging authors to send RDA, on speculation, their original manuscripts, their ideas for articles, and their previously published pieces.

In encouraging authors in this fashion, Allen was following what amounts to a de facto RDA policy that unknown writers are to be encouraged to write and to submit what they write to RDA for consideration. This policy is rooted partly in a somewhat altruistic notion that writers are good people who perform an important social function that ought to be encouraged, but more fundamentally in the plain fact that RDA substantially depends on outside authors to generate articles, and topics for articles, for inclusion in *Reader's Digest*.

In his speeches at writers conferences, Allen also would typically inform the audience of RDA's pay scale for "first person" articles, "original" articles, and "pickup" articles that were accepted for publication. He did not customarily tell the audience that under certain circumstances a person who submitted either an article or an idea to RDA might be paid either a "kill fee" or a "spotter's fee."

Allen's speech at the Southwest Writers Conference basically followed his typical pattern. He informed the audience, which included Werlin, of the subject areas that made good articles, he encouraged authors to send published and unpublished articles, as well as ideas for articles, to RDA on speculation, and he outlined the then-effective RDA pay scale for pieces that were accepted for publication. He did not mention that, were an author to send a previously published article to RDA, RDA might determine not to reprint it, but to use the author's topic as the basis for an independently prepared article, in which event the author would receive a "spotter's fee."

Upon meeting Werlin at the conference, and learning that she had previously submitted an article to RDA that had been rejected, Allen encouraged Werlin to continue to submit both published and unpublished articles to RDA. He told her that, while he could give her no assurance that any of her articles would be published, each article that she submitted would be read by RDA's editorial staff. Allen further stated that, in the event Werlin submitted an original article to RDA that was not publishable in its current form, but had the makings of a useable piece, RDA would be willing to help her rewrite the article in order to bring it into publishable form. However, Allen did not tell Werlin that, in the event she submitted a previously published piece to RDA, RDA might determine not to reprint the article but to use the topic of the article as the basis for a newly prepared piece, in which event Werlin would be paid a "spotter's fee" of \$250.

Werlin was encouraged by Allen's speech and her later conversation with Allen, and thus continued to send both published and unpublished articles to RDA to be considered for publication in *Reader's Digest*. She also submitted several ideas for articles. Werlin customarily mailed any article or idea for an article that she wanted RDA to consider directly to Allen. All of the articles that Werlin sent to Allen in the years 1973-1976

were rejected by RDA. Customarily, they were returned to Werlin together with a note from Allen explaining the reasons why the article could not be published in *Reader's Digest*.

None of Werlin's articles were, according to these notes, rejected because they were poorly written. Indeed, Allen described one as a "good job," a second as "informative," a third as a "good job," and a fourth as a "darn good job." On another occasion, Allen commented that Werlin was "doing well." In 1973, Allen wrote to Werlin as follows: "Should you—from time to time—have any other published material you feel might suit our audience, I'll always be glad to look over copies on speculation." Allen reiterated this statement later in 1973, and never, either in the course of his correspondence with Werlin or during a meeting that he had with Werlin at RDA's offices in 1974, told Werlin that she should discontinue submitting either articles or ideas to RDA. Rather, his correspondence to and conversations with Werlin throughout this period can only be fairly characterized as encouraging her to continue to make such submissions. Werlin interpreted Allen's intentions in this fashion and accordingly continued to submit articles and ideas to RDA, notwithstanding the fact that none had ever been accepted.

While Allen consistently encouraged Werlin to make submissions to RDA, he had, in fact, developed by 1973 or 1974 a very negative attitude regarding her ability to produce an article that would be useable by RDA. He presently is of the opinion that Werlin is not capable of producing an article that RDA can publish. Allen nonetheless continued to encourage Werlin, partly because he liked her and did not want to offend her, and partly because he retained some hope that RDA might one day get something useable out of her submissions.

By the time Werlin wrote her article on Rina Cahana, Allen had, as Werlin knew, been transferred to a non-editorial position at RDA. Thinking that Allen thus might not be in a position to consider her article, Werlin sent her article to Allen's attention, but also addressed it "To Whom It May Concern."

The article was received by RDA in November 1978. Because Allen was no longer working as an editor, Werlin's article was routed to RDA's editorial correspondence department, which exists to deal with unsolicited manuscripts that are not directed to any particular RDA editor. Werlin's article was initially read by Elinor Griffith, an editor employed by RDA in the editorial correspondence department. She prepared a memorandum on the article for Robert F. Rigby, then a senior editor at RDA. In this memorandum, Griffith stated her view that Werlin's article, while it contained "the kernel of a darn good story," was too poorly written to be published in *Reader's Digest*. However, since she liked the idea of an article based on what she termed "Rina Cahana's Triumph," she suggested that Werlin's article be given to one of RDA's writers, with a view toward preparing an original piece on the subject.

Griffith then sent Werlin's article, together with a memorandum expressing her views on the piece, to Rigby. Rigby also liked the idea of an article on Rina Cahana. He thought, however, that it would be "impossible to get a useable piece" from Werlin, and accordingly agreed with Griffith's suggestion that Werlin's article be given to one of the RDA's own writers so that an entirely new piece could be prepared.

Next, Griffith sent Werlin's article, together with her memorandum and Rigby's comments, to Peter Canning, an assistant managing editor at RDA. Canning thought Werlin's article disclosed a "viable" article topic. In December 1978, Canning met with Joseph P. Blank, who was employed by RDA as a staff writer, and who then had the title of "roving editor," regarding several proposed article topics, including the topic suggested by Werlin's article. Since Blank had previously written articles on retarded individuals for *Reader's Digest* and another magazine, Canning thought Blank might be interested in this topic.

At the meeting with Blank, Canning gave him a copy of Werlin's article and Griffith's memorandum. While RDA occasionally uses potential "pick-up pieces" such as Werlin's for article topics, Blank had never received a topic in this fashion. Blank, after reading these materials, decided that he would like to write an article about Rina Cahana. He notified Canning of this in a handwritten memorandum. Canning then referred the proposed topic to RDA's editorial assignment committee, which was chaired by Edward T. Thompson, the editor-in-chief of RDA. This committee approved the topic and formally assigned Blank to write the article.

Blank thereupon commenced preparation of the article. He began by asking RDA's research department to locate background material on Down's Syndrome, which material he read during the spring of 1979. In May 1979, Blank called Rina Cahana's mother, Alice Cahana, to determine whether the Cahana family would be willing to cooperate with RDA regarding his article. Alice Cahana and her husband, Rabbi Moshe Cahana, ultimately entered into an agreement with RDA whereby RDA agreed to pay the Cahanas \$1000 for permission to publish an article in *Reader's Digest* on Rina Cahana.

Blank then traveled to Houston to research the article. He was in Houston for a period of eight consecutive days in June 1979. While there, he interviewed all the members of the Cahana family, friends of the family, and one of Rina's teachers. Most of these interviews were taped. Blank also spent a good deal of time with Rina Cahana, went to Austin, Texas, to watch her participate in a swim meet, and attended a picnic with the Cahana family.

RDA did not initiate any communication with Werlin regarding Blank's article nor did it ever reject Werlin's article as it had her previous submissions. Werlin first learned that RDA intended to do an article on Rina Cahana during a conversation with Alice Cahana in May 1979. Alice

Cahana told Werlin that RDA had contacted her about the article and that Blank had been assigned to write it.

Werlin immediately telephoned Blank in New York. Blank told Werlin that he was not going to rewrite her piece but was planning to write an entirely new article. In the course of subsequent correspondence and conversations during May and June of 1979 between Werlin and Blank, Werlin offered to cooperate with Blank on the article and demanded that she receive a by-line on any article prepared by Blank. Blank refused either to accept Werlin's offer or to accede to Werlin's demand. He did, however, offer her \$250 for "spotting" the idea for the article. Werlin did not accept his offer. Instead, she wrote letters of complaint to Canning, Blank's editor, and Allen.

In the latter half of 1979, Blank prepared a draft of an article on Rina Cahana. Each of the facts disclosed in Blank's article was verified by him through his independent research when he traveled to Houston. He did not rely on Werlin's article as the basis for any of his factual assertions. Blank's draft was edited by RDA's staff, and prepared for publication. In the course of this preparation, Indie Miller Ahl, an editorial research associate at RDA, verified each of the factual statements made in Blank's article by finding at least two sources to confirm each fact. In undertaking this verification process, Ahl did not use Werlin's article in any fashion.

When Blank's article was ready to be published, RDA sent the Cahanas a check in the amount of \$1000, pursuant to the agreement discussed previously. Blank and Canning decided between themselves, without any further negotiation or discussion with Werlin, that Werlin should be paid the "spotter's fee" that Blank had previously offered. Accordingly, RDA mailed Werlin a check in the amount of \$250. Werlin never cashed the check. Blank, who receives a salary in this position as a roving editor at RDA, earned an additional fee of \$3550 for the article. This represented Blank's standard contractual fee for an article of this length.

Blank's article, as it appeared in *Reader's Digest*, is approximately 2200 words long. It is entitled "The Triumph of Rina Cahana." The article basically is the story of Rina Cahana's life, beginning with her birth in 1963, and climaxing with her Bas Mitzvah in February 1977. The article explains the physical and mental hurdles that Rina Cahana faced on account of her affliction, details the role played by her family in helping her deal with that affliction, and recounts several incidents from her youth that illustrate the difficulties that Rina Cahana faced, and the strength with which she and her family faced them.

Approximately one-third of Blank's article is devoted to Rina Cahana's Bas Mitzvah. According to the article, the Bas Mitzvah was attended by over 500 people; among these people were many family friends, a number of parents of similarly afflicted children, and interested people among the community at large, including several nuns and priests. The article quotes

from a composition prepared for the occasion by Rina Cahana and from a sermon given by Rabbi Cahana. Parents of other children afflicted with Down's Syndrome are quoted as well regarding their reactions to the ceremony. Generally, these parents stated that the Bas Mitzvah had made them hopeful with respect to the futures of their own children. The article concludes with a short box briefly stating some of the methods that are used to treat children afflicted with Down's Syndrome, and identifying two national associations that are dedicated to helping retarded persons.

The Instant Action

Werlin commenced this action by filing a complaint in this Court on September 10, 1980. The original complaint named Blank and RDA as defendants, and apparently relied on the theory that Blank's preparation and RDA's publication of the Blank article constituted an infringement of Werlin's common-law copyright in her article. On June 9, 1981, Werlin filed a motion, pursuant to Rule 15, Fed.R.Civ.P., for leave to serve and file an amended complaint. Defendants opposed this motion and cross-moved pursuant to Rule 12(b)(6), Fed.R.Civ.P., for an order dismissing the complaint. In an oral decision rendered on July 8, 1981, this Court granted Werlin's motion for leave to serve and file an amended complaint, and denied defendants' cross-motion to dismiss.

The amended complaint names the same defendants and states two claims. The first alleges that RDA and Blank, by preparing and publishing the Blank article, infringed Werlin's federal copyright in the article in violation of 17 U.S.C. Section 501(a). The second alleges that RDA and Blank, by employing the idea for an article disclosed by Werlin's article, misappropriated that idea in violation of New York tort law.

The parties then filed cross-motions for summary judgment. In deciding the summary judgement motions, this Court focused almost entirely on the federal copyright claim. The Court, while it frankly stated that it was disposed to find in defendants' favor on the federal copyright claim because it did not find the requisite "substantial similarity" between the two articles, see *Warner Bros. v. American Broadcasting Cos.*, 654 F.2d 204, 207 (2d Cir. 1981), denied both motions for summary judgment. The Court's decision was based in large part on the decision of the Court of Appeals for this Circuit in *Arnstein v. Porter*, 154 F.2d 464 (2d Cir. 1946). In that case, the Court of Appeals emphasized that, since the question whether two literary works are substantially similar is a question of fact, see *Miller Brewing Co. v. Carling O'Keefe Breweries, Ltd.*, 452 F.Supp. 429, 439 (W.D.N.Y.1978), summary judgment should only rarely be granted in copyright cases, even where, as here, the case will be tried to the court and not to a jury. *Arnstein v. Porter*, *supra*, 154 F.2d at 474-75. In light of *Arnstein v. Porter*, which the Court of Appeals continues to cite

with approval, *see, e.g., Hoehling v. Universal City Studios, Inc.*, 618 F.2d 972, 977 (2d Cir.), *cert. denied*, 449 U.S. 841, 101 S.Ct. 121, 66 L.Ed.2d 49 (1980), the Court determined that the best course was to try this case, notwithstanding the fact that other members of this Court have expressed the view that *Arnstein v. Porter* should no longer be read as broadly as it once was, *see, e.g., Musto v. Meyer*, 434 F.Supp. 32, 36 (S.D.N.Y.1977), *aff'd mem.*, 598 F.2d 609 (2d Cir. 1979), and also notwithstanding the Court's own feeling that substantial similarity, since it is determined by an objective test that merely requires the trier of fact to compare the two pieces in question, *Decorative Aides Corp. v. Staple Sewing Aides Corp.*, 497 F.Supp. 154, 157 (S.D.N.Y.1980), *aff'd mem.*, 657 F.2d 262 (2d Cir. 1981), is capable of being determined on a motion for summary judgment in a case where the judge is to be the trier of fact. Accordingly, in an oral decision rendered October 23, 1981, the Court denied the cross-motions for summary judgment and scheduled the case for trial beginning on November 4, 1981.

At the request of the parties, the trial date of this case was adjourned several times. The trial ultimately began on December 7, 1981. At the close of the plaintiff's case, plaintiff moved, pursuant to Rule 15(b), Fed.R.Civ.P., for leave to further amend her complaint in order that the pleadings would conform to the evidence. This motion was prompted by plaintiff's desire to rely on a third legal theory as a basis for defendants' alleged liability. Specifically, Werlin wished to assert a quasi-contract claim based on the theory that defendants were unjustly enriched by having used and benefited from the story idea disclosed by Werlin's article. The Court, on the basis of defendants' counsel's representation that he did not feel that defendants would be prejudiced by such an amendment as long as the Court would decide the case on the basis of the record before it, and on the basis of plaintiff's counsel's statement that he would be willing to rely on the record before the Court, determined to grant plaintiff's motion. The Court stated that it would deem the amended complaint to have been further amended to assert a quasi-contract claim.

During the trial, plaintiff moved to dismiss this action insofar as it was maintained against defendant Blank. Defendant Blank did not oppose the motion. Accordingly, the Court dismissed this action against defendant Blank with prejudice but without costs.

Having described at some length the factual setting of this action, and having introduced Werlin's three claims, the Court now turns to a discussion of the legal merit of each of those claims. With respect to each claim, the Court first outlines the relevant legal principles and then proceeds to apply those principles to the facts of the case.

Federal Copyright Claim

In order to make out a claim for copyright infringement under 17 U.S.C. Section 501(a), a plaintiff must show: (1) ownership of a valid

copyright; and (2) copying by the defendant. *Novelty Textile Mills, Inc. v. Joan Fabrics Corp.*, 558 F.2d 1090, 1092 (2d Cir. 1977); *Kamakazi Music Corp. v. Robbins Music Corp.*, 522 F.Supp. 125, 134 (S.D.N.Y.1981).

The Court finds that the first prong of this test has been satisfied here, notwithstanding the fact that Werlin's article was published in *Houston's Legal Advocate* without any copyright notice attached. The copyright protection that her article enjoys is determined by the Copyright Act, Pub.L. No. 94-553, 90 Stat. 2541 (1976), codified in 17 U.S.C. Sections 101-810. See 17 U.S.C. Section 301(a). Werlin's article, having been completed in early 1978, automatically received copyright protection on the date of its completion. *Id.* Section 302(a). Whenever a work that enjoys copyright protection is published in the United States by authority of the copyright owner, a notice of copyright must be placed on all publicly distributed copies. *Id.* Section 401(a). While failure to affix such a notice will generally invalidate an author's copyright in a work, this result does not occur if (1) the work was registered either before or within five years after the work was published without notice; and (2) a reasonable effort was made to affix the requisite notice to all copies of the work that were distributed to the public after the omission was discovered. *Id.* Section 405(a)(2).

[1] Here, then, while it is true that Werlin's article was published, under Werlin's authority, by *Houston's Legal Advocate* with no copyright notice affixed, Werlin's copyright protection in her article was not thereby invalidated. She obtained a copyright registration for her article that became effective on November 11, 1980, thus satisfying the first prong of Section 405(a)(2). Since no copies of her work were distributed to the general public after the omission was discovered in *Houston's Legal Advocate*, the second prong of Section 405(a)(2) has also been satisfied. Under these circumstances, the Court holds that the copyright protection enjoyed by Werlin's article was not invalidated by publication of that article in *Houston's Legal Advocate* without any copyright notice having been affixed. Accordingly, the Court concludes that Werlin has shown ownership of a valid copyright.

[2] The court thus turns to the second part of the test for copyright infringement under 17 U.S.C. Section 501(a), namely, the question whether Werlin has shown that defendant copied her article. Because direct evidence of copying is ordinarily unavailable, the courts have consistently permitted copyright plaintiffs to make the requisite showing of copying through indirect, or circumstantial, proof. Generally, copying will be inferred where a plaintiff establishes (1) that the defendant had access to the copyrighted work; and (2) that the two works are substantially similar. *Warner Bros. v. American Broadcasting Cos.*, *supra*, 654 F.2d at 207.

Here, both defendant RDA and Blank had access to Werlin's article. RDA stipulated that it received Werlin's article in November 1978, and Blank testified that he was given a copy of Werlin's article in December

1978. Upon being given the article, Blank read it. The significant question for the Court, then, is whether the Werlin article and the Blank article are substantially similar.

[3] "[T]he determination of the extent of similarity which will constitute a *substantial* and hence infringing similarity presents one of the most difficult questions in copyright law, and one which is the least susceptible of helpful generalizations." 3 Nimmer on Copyright Section 13.03[A], at 13-16 (rev. ed. 1981) (emphasis in original). The general test for determining substantial similarity is "whether an average lay observer would recognize the alleged copy as having been appropriated from the copyrighted work." *Ideal Toy Corp. v. Fab-Lu Ltd.*, 360 F.2d 1021, 1022 (2d Cir. 1966). In applying this test to literary works, however, the trier of fact must be mindful of the rule that copyright protection extends to the author's expression of an idea, but not to the idea itself. 17 U.S.C. Section 102(b). Similarly, the trier of fact must remember that, in the case of a literary work that concerns historical events, the copyright laws do not extend protection to the events themselves, but only to the author's expression of those events. *Hoehling v. Universal City Studios*, *supra*, 618 F.2d at 978-79.

[4] In other words, an article such as Werlin's has three distinct components that are relevant for federal copyright purposes: (1) an *event*; (2) the *idea* that the event would make a good story; and (3) the author's *expression* of his or her idea to write a story on the event. The federal copyright laws do not protect either the event or the author's idea to write about the event; they afford protection only to the author's manner of expression, that is, the author's analysis or interpretation of events, the way he or she structures material and marshals facts, the author's choice of words, and the emphasis the author gives to particular developments. *Wainwright Securities Inc. v. Wall Street Transcript Corp.*, 558 F.2d 91, 95-96 (2d Cir. 1977), *cert. denied*, 434 U.S. 1014, 98 S.Ct. 730, 54 L.Ed.2d 759 (1978). Thus, the task of a court trying to apply the federal copyright laws in the context of an article such as Werlin's is (1) to distill the non-protected event and the non-protected idea from the protected expression, *see Reyher v. Children's Television Workshop*, 533 F.2d 87, 91 (2d Cir.), *cert. denied*, 429 U.S. 980, 97 S.Ct. 492, 50 L.Ed.2d 588 (1976); and (2) to compare the allegedly infringing work's expression with the expression of the protected work, in order to determine whether the former is substantially similar to the latter.

Given the foregoing principles, it is plain that Werlin's copyright claim is not advanced by the fact that RDA determined, upon receiving Werlin's article, that the subject of Werlin's article was a "viable" topic for an article to be published in *Reader's Digest*. This determination constituted nothing more than a duplication of Werlin's "idea" that Rina Cahana's Bas Mitzvah would make a good story. Since Werlin's idea did not and does

not enjoy copyright protection, the fact that the two articles are based on similar ideas cannot form the basis for a finding of copyright infringement.

Nor is Werlin's federal copyright claim advanced by the fact that the factual events described in Blank's article are, as is illustrated by the Court's previous description of the two articles, substantially similar to the factual events described in Werlin's article. Blank did not copy these factual events from Werlin's article, but based all of his factual assertions on his own independent research. Blank's factual assertions were confirmed by RDA through checking original sources and without any reliance on Werlin's story.

Moreover, even if the Court had found that Blank copied dozens of facts from Werlin's article when he wrote his article, this finding would have not assisted Werlin's federal copyright claim. The cases in this Circuit uniformly hold that factual information is in the public domain. *Rosemont Enterprises, Inc. v. Random House, Inc.*, 366 F.2d 303, 309 (2d Cir. 1966), *cert. denied*, 385 U.S. 1009, 87 S.Ct. 714, 17 L.Ed.2d 546 (1967); *Alexander v. Haley*, 460 F.Supp. 40, 44-45 (S.D.N.Y.1978). Thus, RDA had the right, as a matter of federal copyright law, to avail itself of the facts contained in Werlin's article, and to use such information, whether correct or incorrect, in its own literary work. *See Hoehing v. Universal City Studios, Inc.*, *supra*, 618 F.2d at 979.

[5] The question for the Court, then, is not whether these two works are substantially similar in their idea or in the events that they describe, but whether they are substantially similar in the manner by which the authors gave expression to the idea of writing an article about the events surrounding Rina Cahana's Bas Mitzvah. In beginning its analysis of this question, the Court observes that it is not determinative that Blank's article is plainly not, when viewed as a whole, a literal, word-for-word reproduction of Werlin's article. Substantial similarity may be found in cases where, although there is no literal or word-for-word similarity between the two works, the fundamental essence or structure of a substantial part of one work is duplicated in another. Also, substantial similarity is properly found in certain cases where, although the fundamental essence or structure of a work has not been duplicated, there are a substantial number of instances of literal similarity between the two works. Professor Nimmer has helpfully labeled the first type of substantial similarity as "comprehensive nonliteral similarity," and the second type as "fragmented literal similarity." *See* 3 Nimmer on Copyright, *supra*, Sections 13.03[A][1], [2].

The willingness of the courts to find copyright infringement on the basis of comprehensive nonliteral similarity is founded on the principle that copyright "cannot be limited literally to the text, else a plagiarist would escape by immaterial variations." *Nichols v. Universal Pictures Co.*, 45 F.2d 119, 121 (2d Cir. 1930) (L. Hand, J.), *cert. denied*, 282 U.S. 902, 51

S.Ct. 216, 75 L.Ed. 795 (1931); see *Meredith Corp. v. Harper & Row, Publishers, Inc.*, 378 F.Supp. 686, 690 (S.D.N.Y.), *aff'd per curiam*, 500 F.2d 1221 (2d Cir. 1974). Thus, "in copyright law paraphrasing is equivalent to outright copying." *Donald v. Zack Meyer's T.V. Sales & Service*, 426 F.2d 1027, 1030 (5th Cir. 1970), *cert. denied*, 400 U.S. 992, 91 S.Ct. 459, 27 L.Ed.2d 441 (1971). The rule that copyright infringement may be found on the basis of fragmented literal similarity is, on the other hand, based on the principle that the value of a work may be substantially diminished even when only a part of it is copied, if the part that is copied is of great qualitative importance to the work as a whole. Here, the Court finds insufficient nonliteral and literal similarity between the two works to find, as required by the previously cited test for substantial similarity, that an average lay observer would recognize Blank's article as having been appropriated from the copyrighted work.

In deciding whether there is any significant nonliteral similarity between Werlin's article and Blank's article, the Court must be attentive to the "pattern" of Werlin's story, see *McGraw-Hill, Inc. v. Worth Publishers, Inc.*, 335 F.Supp. 415, 420 (S.D.N.Y.1971), to determine whether Blank's article "tracked," in a material way, Werlin's treatment of the events. See *Stratchborneo v. Arc Music Corp.*, 357 F.Supp. 1393, 1404 (S.D.N.Y.1973). It is not enough that the two articles describe the same event; what is required for the Court to find significant nonliteral similarity is that Blank's article duplicates, in a material way, the pattern of Werlin's description of the event. Both the similarities and the differences between the patterns of the two pieces are relevant to the Court's analysis. *Warner Bros. v. American Broadcasting Cos.*, *supra*, 654 F.2d at 211; *Durham Industries, Inc. v. Tomy Corp.*, 630 F.2d 905, 913 (2d Cir. 1980).

Applying the above principles to this case, the Court finds no significant, and certainly no comprehensive, nonliteral similarity between the articles at issue. Blank's piece follows an entirely different pattern from Werlin's. Whereas Werlin's piece uses Rina Cahana's Bas Mitzvah to lead up to a discussion of Down's Syndrome generally, Blank's piece uses Rina Cahana's life story to lead up to the Bas Mitzvah, and omits any general discussion of Down's Syndrome. Most of the specific events in Blank's piece do not appear in Werlin's piece. To the extent the articles describe the same specific events, Blank recounted them in an entirely different fashion from Werlin, and in no sense can be said to have paraphrased her language. The Bas Mitzvah ceremony is, of course, described at length in both pieces, but Werlin's piece describes it entirely differently from Blank's piece: the sequence of events is different in Blank's article; Blank quotes several different people in his article; and, to the extent Blank quotes the same people as Werlin, they are quoted as saying different things. The Court see no basis for concluding that Blank paraphrased Werlin's description of the ceremony.

The Court now turns to the question of literal similarity. The Court does find some literal similarity between Werlin's piece and Blank's piece. First, Werlin's piece describes the attendance at the Bas Mitzvah ceremony as an "overflowing audience of more than five hundred"; Blank's piece describes the audience as an "overflow crowd of more than 500." Second, Werlin's piece describes the Bas Mitzvah as a "triumph for Rina Cahana"; Blank's piece is entitled "The Triumph of Rina Cahana." Blank's wording in both cases is so close to Werlin's that the Court is disposed to consider it not merely paraphrasing, but literal duplication, of Werlin's language.

[6] Since the Court has found no significant nonliteral similarity between the two articles, it may find substantial similarity here only if it is able to rest such a finding entirely on these instances of literal similarity. The basic question for the Court is thus whether the literal duplication that occurred here represents a material portion of Werlin's work. *See Nikanov v. Simon & Schuster, Inc.*, 246 F.2d 501, 504 (2d Cir. 1957). In making this assessment, the quantitative amount of literal duplication relative to the total size of Werlin's work is certainly of importance. *See* 3 Nimmer on Copyright, *supra*, Section 13.03[A][2], at 13-32. However, even if the literal duplication is relatively small, the trier of fact may still find substantial similarity if the language duplicated is material to the copied work. *Miller Brewing Co. v. Carling O'Keefe Breweries, supra*, 452 F.Supp. at 439. Thus, courts have found copyright infringement where, as here, only one or two lines in plaintiff's work were literally duplicated. *See, e.g., Dawn Associates v. Links*, 203 U.S.P.Q. 831, 834-35 (N.D.Ill. Sept. 28, 1978). Here, however, there is nothing about the two sentences that were duplicated to support a finding that they were material to Werlin's work. It is of no moment that one of the duplicated sentences ultimately became a material part of Blank's article, to wit, the title. *See* 3 Nimmer on Copyright, *supra*, Section 13.03[A], at 13-31. Under these circumstances, the Court finds the literal duplication that occurred here to be so fragmented as to be de minimis, and accordingly declines to rely on this similarity to find copyright infringement. *See Jackson v. Washington Monthly Co.*, 481 F.Supp. 647, 650 (D.D.C.1979).

[7] To summarize: The Court finds that an average lay observer would not recognize Blank's article as having been appropriated from Werlin's article, and accordingly finds that the two articles are not substantially similar. As a result, Werlin's federal copyright claim must be dismissed. The Court next turns to Werlin's state law claims, dealing first with her unfair competition claim and then with her quasi-contract claim.

Unfair Competition Claim

Werlin claims that RDA is liable, under New York tort law, for "misappropriation" of plaintiffs "idea" of writing an article on Rina Cahana. The tort of misappropriation was first articulated by the United States

Supreme Court in *International News Service v. Associated Press*, 248 U.S. 215, 39 S.Ct. 68, 63 L.Ed. 211 (1918). It has been incorporated into New York law as part of the tort of unfair competition. See *Ruder & Finn Inc. v. Seaboard Surety Co.*, 52 N.Y.2d 663, 671, 439 N.Y.S.2d 858, 862, 422 N.E.2d 518, 522 (1981). The Court concludes however, that Werlin may not rely on this principle here.

[8] The essence of an unfair competition claim under New York law is that the defendant must have misappropriated the labors and expenditures of another. *Electrolux Corp. v. Val-Worth, Inc.*, 6 N.Y.2d 556, 567, 190 N.Y.S.2d 977, 986, 161 N.E.2d 197, 203 (1959); accord, *Saratoga Vichy Spring Co. v. Lehman*, 625 F.2d 1037, 1044 (2d Cir. 1980). Before a court will hold that a particular defendant, by using an idea suggested by the plaintiff, thereby engaged in a "misappropriation," the plaintiff must show (1) that the defendant obtained access to the idea through an abuse of a fiduciary or confidential relationship with the plaintiff or via some sort of fraud or deception, see *Warner Bros. v. Gay Toys, Inc.*, 513 F.Supp. 1066, 1069 (S.D.N.Y.), *rev'd on other grounds*, 658 F.2d 76 (2d Cir. 1981); and (2) that the defendant's use of the idea deprived the plaintiff of the opportunity to reap its due profits on the idea, see *Decorative Aides Corp. v. Sewing Aides Corp.*, *supra*, 497 F.Supp. at 160.

[9] The first prong of this test has not been satisfied here. There was no fiduciary or confidential relationship between Werlin and RDA. RDA did not act fraudulently. While Werlin was deceived as to RDA's opinion of her writing talent, this deception was not the result of any bad faith on the part of RDA. Bad faith on the part of the defendant is a central element of a successful unfair competition claim under New York law. *Saratoga Vichy Spring Co. v. Lehman*, *supra*, 625 F.2d at 1044.

Nor has Werlin made the showing necessary to satisfy the second prong of the test previously set forth. There is no evidence in the record to show that Werlin would have, but for RDA's use of her idea, reaped any profit on either her article or the idea that it contained. After the article was published in *Houston's Legal Advocate*, Werlin did not submit her article to any publisher other than RDA. RDA never told her not to submit her article to other publishers. There is no testimony in the record that Werlin intended to submit her piece to other publishers for their consideration. The Court is thus unable to find that RDA's use of the topic suggested by Werlin's article in any way deprived Werlin of the opportunity to reap profits from either the article or its topic. Since RDA did nothing that diminished the value of Werlin's idea as far as Werlin was concerned, the fact that Werlin's idea was valuable to RDA is of no relevance to Werlin's unfair competition claim. This fact is relevant, however, to Werlin's quasi-contract claim, a topic to which the Court now turns.

Quasi-Contract Claim

[10] There was, of course, no express contract of any sort between RDA and Werlin relative to the article that she submitted to RDA in November 1978. Under New York law, however, a contract will be implied in fact when the evidence shows that the parties clearly intended payment to the extent of use of the plaintiff's idea, though they did not set forth that intention in express language. *Robbins v. Frank Cooper Associates*, 19 A.D.2d 242, 244, 241 N.Y.S.2d 259, 261 (1st Dept't 1963), *rev'd on other grounds*, 14, N.Y.2d 913, 252 N.Y.S.2d 318, 200 N.E.2d 860 (1964); *see Decorative Aides Corp. v. Sewing Aides Corp.*, *supra*, 497 F.Supp. at 160. In this case, there was undoubtedly an implied-in-fact contract between RDA and Werlin relative to articles submitted by Werlin for RDA's consideration; both parties plainly contemplated that, in the event an article submitted by Werlin were selected for publication by RDA, Werlin would be paid for the article at the then-prevailing compensation rate.

[11] There was, however no implied-in-fact contract between RDA and Werlin relative to situations where RDA determined to use a potential "pick-up piece" submitted by Werlin as the idea for an article to be independently prepared by an RDA staff writer. Werlin did not even know that RDA would consider using one of her submissions in this fashion; plainly, then, she could not have contemplated receiving a "spotter's fee" in the event RDA did make such a use of one of her articles. Similarly, RDA, while it likely would have been disposed to pay a "spotter's fee" to Werlin in such a case, did not view itself as bound to do so.

[12] In certain cases, however, the courts have held that, even if the plaintiff has no property right in an idea, and even though no express or implied-in-fact contract for the sale or use of such an idea has been established, the defendant may, in appropriate circumstances, nevertheless be found liable to the plaintiff in quasi contract on a theory of unjust enrichment. *See, e.g., Matarese v. Moore-McCormack Lines, Inc.*, 158 F.2d 631, 634 (2d Cir. 1946). A "quasi" or "implied-in-law" contract is, of course, not a contract or an agreement at all, but an obligation imposed by law to avoid unjust enrichment. *Bradkin v. Leverton*, 26 N.Y.2d 192, 196, 309 N.Y.S.2d 192, 195, 257 N.E.2d 643, 645 (1970). Where the defendant has benefitted from its use of an idea generated by the plaintiff, a court will allow recovery in quasi contract if the circumstances make it inequitable for the defendant to profit from the use of plaintiff's idea or material.

[13] Werlin asserts a quasi-contract claim in this case. In order to recover on this claim, Werlin is required under New York law to show (1) that RDA was enriched by Werlin; and (2) that the circumstances were such that it would be unjust, in equity and good conscience, to permit RDA to refuse to make any restitution to Werlin. *S. S. Silberblatt, Inc. v. East Harlem Pilot Block-Building 1 Housing Development Fund Co.*, 608

F.2d 28, 37 (2d Cir. 1979); *Chase Manhattan Bank v. Banque Intra, S.A.*, 274 F.Supp. 496, 499 (S.D.N.Y.1967). For the reasons that follow, the Court concludes that plaintiff has made a sufficient showing to satisfy both prongs of this test.

[14] In order to show that she enriched RDA, Werlin must demonstrate (a) that her idea was novel; (b) that her idea was concrete; and (c) that the idea was actually appropriated by RDA in the development of an article that it published. *Seymore v. Reader's Digest Associaton, Inc.*, 493 F.Supp. 257, 265 (S.D.N.Y.1980), *aff'd mem.*, 657 F.2d 264 (2d Cir. 1981); *Galanis v. Procter & Gumble Corp.*, 153 F.Supp. 34, 38 (S.D.N.Y.1957). While it might be argued that point (a) is not proven here because Werlin's idea had already been disclosed by publication of her article in *Houston's Legal Advocate*, see *Decorative Aides Corp. v. Staple Sewing Aides Corp.*, *supra*, 497 F.Supp. at 161, RDA has not seriously suggested that it might have come across Werlin's article had she not mailed it in. As far as RDA was concerned, then, the idea was "novel." There can be no doubt that the idea, which Werlin had already developed into a published article, was "concrete." Finally, the Court finds, noting that RDA has virtually conceded the point, that Werlin's idea was actually appropriated by RDA in the development of an article that it published.

Having found that RDA was enriched by Werlin, the Court turns to the question whether it would be unjust to allow RDA to enjoys the fruits of the benefit that it received from Werlin without compensating her in some fashion. In the Court's view, this is a classic case of unjust enrichment. RDA, over a period of nearly a decade, encouraged Werlin to submit articles and ideas for articles to RDA for consideration. Werlin was never told that one of her articles might be used as a topic for an independently prepared *Reader's Digest* article. While RDA soon became very doubtful of Werlin's ability to write a piece suitable for publication in *Reader's Digest*, it continued to encourage her out of a good-faith hope that she might one day produce something useable for the magazine.

In 1978, that day arrived when Werlin submitted her article on Rina Cahana's Bas Mitzvah to RDA. While RDA found the article itself unpublishable, it determined that Werlin's topic was an excellent idea for a *Reader's Digest* article. Werlin's topic was then developed into a new article by an RDA staff writer; this piece ultimately appeared in *Reader's Digest* as the lead article.

In essence, RDA's position is that it is under no legal obligation whatsoever when (1) RDA encourages an author to submit his or her published pieces to be considered for reprinting; (2) RDA fails to tell the author that it might use one of the author's published pieces as an idea for one of its own articles; (3) RDA also fails to tell the author that it has a very low opinion of his or her ability to write an article suitable for republication in *Reader's Digest*; (4) the author ultimately submits an article on a topic that

RDA finds to be an excellent idea for an article and that RDA would otherwise not have found; and (5) RDA never asks the author to rewrite his or her article, but proceeds to use the topic as the basis for one of its own pieces, which piece becomes the lead article in an issue of *Reader's Digest*.

In the Court's view, if the civil law has any reason for its existence, it is to remedy situations such as this one. To permit RDA to refuse to pay any compensation to Werlin would be, notwithstanding the fact that RDA did not act in bad faith, to permit an injustice of the most fundamental sort. This is precisely the type of case for which the doctrine of quasi contract was created. The Court has, therefore, determined to invoke that doctrine, and finds in Werlin's favor on her quasi-contract claim.

None of RDA's arguments persuade the Court that a contrary result is required. RDA suggests that a holding such as the Court renders by this decision would put RDA at legal risk any time it encourages authors to submit articles or any time it receives an unsolicited manuscript, tearsheet, or idea. The Court disagrees. Its holding, like any decision that invokes the doctrine of quasi contract, is confined to the facts of this case, particularly to the juxtaposition of the five circumstances previously listed. The Court does not purport to hold that RDA has a legal obligation to any author who either attends a conference at which an RDA editor speaks or corresponds with a member of RDA's editorial staff. Nor does the Court purport to hold that any time RDA uses an article topic suggested by an outside author it is legally obliged to compensate the author. The Court has decided only the case before it; its holding is confined to the facts of the case before it.

[15] RDA also suggests that Werlin's quasi-contract claim is legally insufficient in this case because New York law, to the extent it might be interpreted to entitle Werlin to some compensation for RDA's use of her idea, has been preempted by federal copyright law. The Court notes, however, that the elements of a quasi-contract claim are significantly different from those of a federal copyright claim; moreover, the rights that the doctrine of quasi contract seeks to protect are qualitatively different from those that federal copyright law endeavors to preserve. Under such circumstances, the courts of this Circuit have consistently declined to find that state law has been preempted by the Copyrights Act. *See, e.g., Roy Export Co. v. Columbia Broadcasting System, Inc.*, 503 F.Supp. 1137, 1151 (S.D.N.Y.1980); *Harper & Row, Publishers, Inc. v. Nation Enterprises*, 501 F.Supp. 848, 852 (S.D.N.Y.1980).

Finally, RDA argues that, even if a quasi-contract claim based on duplication of an *idea* might be legally sufficient in a given case, such a claim is factually inapposite here because Werlin did not give RDA an idea but a finished *article*. As a result, RDA argues, Werlin can rely only on the federal copyright laws as a means of legal redress. In the Court's view,

however, it is perfectly appropriate to draw an analytical distinction between an article and the topic on which it is written and to view the submission of a published piece as the submission of both an article and an idea. Blank testified that he viewed the topic of Werlin's piece as a separate component of the article as a whole. RDA's general policy was to treat tearsheets not only as prospective "pick-up pieces" but also as prospective article topics. Thus, Werlin's submission to RDA was both an article and an idea. To the extent it was an article, it enjoyed federal copyright protection; to the extent it was an idea, it enjoyed no federal copyright protection but limited state law protection.

[16] This brings the Court to the question of the amount of compensation to which Werlin is entitled. Under normal principles, damages in quasi contract are calculated by reference to the actual value of the benefit to the defendant and not the market value of the services rendered by the plaintiff. *Robbins v. Frank Cooper Associates, supra*, 19 A.D.2d at 245, 241 N.Y.S.2d at 262; *Naimoli v. Massa*, 81 Misc.2d 431, 435, 366 N.Y.S.2d 573, 578 (City Ct. Geneva 1975). This is not a normal case, however. Since Werlin's quasi-contract claim was not raised until plaintiff rested, and since the Court only allowed the claim to be raised at that time on condition that plaintiff would not seek to expand the record that she made on her direct case, Werlin failed to introduce any evidence relative to the profits that RDA earned as a result of its use of Werlin's article. Given these unusual circumstances, the parties agreed, at the close of the trial, that, in the event the Court determined to find in plaintiff's favor on the quasi-contract claim, the Court should award such damages on that claim as are "proper, equitable, and just under all the circumstances." In the Court's view, an award of \$500, being the amount RDA paid as a "kill fee" in 1978, is proper, equitable, and just under all the circumstances of this case.

Conclusion

The Court finds that plaintiff has failed to prove copyright infringement, within the meaning of 17 U.S.C. Section 501(a), by a preponderance of the credible evidence. This claim is accordingly dismissed. Under 17 U.S.C. Section 505, the Court has the discretion to award RDA, as the prevailing party on the federal copyright claim, costs including a reasonable attorney's fee. In the event RDA determines to request such an award, it shall file an appropriate motion not later than thirty days after the date of the Court's order dismissing the federal copyright claim. At this point, the Court observes only that it is not disposed to award RDA any attorney's fees that it incurred prior to the Court's oral decision of July 8, 1981, granting Werlin leave to serve and file an amended complaint.

The Court finds that plaintiff has failed to prove unfair competition, within the meaning of New York tort law, by a preponderance of the credible evidence. This claim is accordingly dismissed. (The Court observes, in passing, that even if Werlin had prevailed on the misappropriation claim, there is nothing in the record to support an award on this claim in excess of \$500, which amount would have been cumulative to Werlin's award on the quasi-contract claim.) Finally, the Court finds that plaintiff has succeeded in proving unjust enrichment, within the meaning of New York contract law, and is thus entitled to a judgment in her favor on her quasi-contract claim of \$500, together with interest from February 1, 1980, the date on which Blank's article was "locked in" for publication. With respect to these latter two claims, the parties shall bear their own costs.

The foregoing represents the decision of the Court. Counsel shall settle an order on notice.

WGN CONTINENTAL BROADCASTING COMPANY and Albuquerque Cable Television, Inc., Plaintiffs, v. **UNITED VIDEO, INC.**, Defendant

No. 81 C 1320

(United States District Court, N. D. Illinois, E. D. — September 30, 1981)

523 F.Supp. 403. 213 USPQ 1078

[See also 693 F.2d 622, 216 USPQ 97 217 USPQ 151, 46 C.O.Bull.1397 (7th Cir. — *Reversed and remanded*, Aug. 11, 1982 — *Rehearing denied*, Oct. 22, 1982)]

Independent television broadcasting company brought action to enjoin telecommunications common carrier from retransmitting its copyrighted television programming to carrier's cable television system customers after stripping the vertical blanking interval of teletext information. The District Court, Getzendanner, J., held that: (1) television company's news program, plus teletext transmissions of program, did not constitute one copyrighted "audiovisual work" under copyright law; (2) carrier's activities in stripping broadcasting company's vertical blank interval did not constitute control over or selection of broadcasting company's news programs, and, thus, carrier was entitled to benefits of passive carrier exemption of Copyright Act of 1976; (3) carrier was not guilty of copyright infringement in their rebroadcast of news program on basis that its secondary transmissions were made to the public; and (4) counts of complaint alleging that carrier's stripping of its teletext program

constituted tortious interference with company's contract or expectancy rights with one of its subsidiaries failed to state cause of action.

Motion for permanent injunction denied and carrier's motion for summary judgment granted.

1. Copyrights and Intellectual Property

In enacting exemption excluding certain kinds of secondary telecommunication transmissions from copyright infringement of primary transmissions, Congress did not consider primary transmission to be signal separate from the program or vice versa, but rather treated program and signal as inseparable. 17 U.S.C.A. §§ 111(a), (a)(3).

2. Copyrights and Intellectual Property

Activity which changes the content of the copyrighted telecommunicated work clearly has copyright significance; on the other hand, mere alteration of the signal which does not affect the retransmission of the broadcasters' copyrighted work has no copyright significance. 17 U.S.C.A. §§ 111, 111(a), (a)(3), (f).

3. Copyrights and Intellectual Property

"Primary transmission," as used in statute providing that secondary transmission of a primary transmission embodying a performance or display of a work is not infringement of copyright if the secondary transmission is made by any carrier who has no direct or indirect control over the content or selection of the primary transmission, means copyrighted work which is initially broadcast and retransmitted. 17 U.S.C.A. § 111(a)(3).

See publication Words and Phrases for other judicial constructions and definitions.

4. Copyrights and Intellectual Property

Under copyright law there are three required elements for an audiovisual work: "images"; images must be sequential, that is, they must be "related" and presented in a "series"; such images must be capable of being shown by machine or device. 17 U.S.C.A. § 101.

5. Copyrights and Intellectual Property

Television station's news program, plus teletext transmissions of program, did not constitute one copyrighted "audiovisual work" under copyright law where teletext transmissions simply were not part of news program and they were not intended to be viewed together as single work by same viewer at same time. 17 U.S.C.A. § 101.

See publication Words and Phrases for other judicial constructions and definitions.

6. Copyrights and Intellectual Property

Telecommunications common carrier's activities in stripping independent television broadcasting company's vertical blank interval for news program transmissions, which contained broadcasting company's teletext program, and inserting in its place a different news service program for rebroadcast to cable subscribers did not constitute control over or selection of broadcasting company's primary transmissions and, thus, carrier was entitled to benefits of passive carrier exemption of Copyright Act of 1976 since the news programs were the only primary transmissions at issue. 17 U.S.C.A. §§ 101, 111(a), (a)(3).

7. Copyrights and Intellectual Property

Assuming independent television station's teletext material was a separate copyrighted work from the news program itself, telecommunications common carrier's deletion of teletext program and substitution of different news service as a selection of the primary transmission was not infringement of copyright on the teletext program on basis that it did not transmit that program since, in the absence of a performance of a copyright work, there could be no infringement. 17 U.S.C.A. § 101.

8. Copyrights and Intellectual Property

Telecommunications common carrier was not guilty of copyright infringement in their rebroadcast of news program of independent television station on basis that its secondary transmissions were made to the public where FCC authorized carrier to operate as a communications common carrier or resale satellite carrier for the purpose of point-to-multipoint distribution of television and associated audio signals of independent television station to its subscribers and carrier had no authority to distribute television station's signal to individual viewers or members of the public, despite the fact that, without the carrier, the cable system subscribers would not be able to transmit television station's programming to the public. 17 U.S.C.A. § 111(a)(3), (f).

9. Torts

Counts of complaint, filed by independent television station alleging that telecommunications common carrier's stripping of its teletext program constituted tortious interference with station's contract or expectancy rights with one of station's subsidiaries, failed to state cause of action since station's contract or expectancy depended on carrier's transmission of the teletext program from city where station's news broadcast originated to city where subsidiary was located and carrier had no legal obligation to transmit the program without being paid for its services by the television station.

Don Reuben, Reuben & Proctor, Chicago, Ill., for plaintiff.

Alan Raywid, Washington, D. C., for defendant.

MEMORANDUM OPINION AND ORDER

GETZENDANNER, *District Judge*. Plaintiff WGN Continental Broadcasting Company ("WGN") brought this action to enjoin defendant United Video, Inc. ("UVI") from retransmitting WGN's copyrighted television programming to UVI's cable television system customers after stripping the vertical blanking interval of WGN's TV signal of teletext information generated by WGN and substituting a Dow Jones News Service. In Counts I and IV of the complaint WGN claims, and UVI denies, that this is copyright infringement. In Counts II and III of the complaint the plaintiffs allege claims of tortious interference with contractual relations.

WGN has moved for a permanent injunction on Counts I and IV and UVI has moved for summary judgment on all counts. Based on the evidence heard and received, and considering the memoranda filed by the parties, the court denies WGN's motion for permanent injunction and grants UVI's motion for summary judgment.

The Parties

WGN is an independent television broadcasting company, and UVI is a telecommunications common carrier, licensed to operate and regulated by the Federal Communications Commission ("FCC"). Under approval of the FCC, UVI has since November 9, 1978 provided satellite transmission service relaying WGN's TV signal to 1,400 cable systems throughout the United States which have a total of approximately 4.5 million subscribers.

UVI receives WGN's TV signal in Chicago, where it originates, relays it to a transmitting earth station in Wisconsin (an "uplink"), and from there transmits WGN's signal to a communications satellite.¹ From this satellite, UVI transmits the signal to at least 2,000 signal-receiving earth stations ("downlinks") across the United States. Through these earth stations, UVI makes WGN's signal available to cable television systems and other subscribers, who in turn distribute WGN's TV signal to the ultimate viewers for a fee.

The receiving cable systems are authorized by the FCC to receive and distribute the signal, for which they pay copyright fees to the owners of the programs' copyrights under a compulsory copyright license. UVI's customers pay UVI for its retransmission of WGN's TV signal.

WGN is not compensated by UVI or anyone for UVI's use of WGN's TV signal.² UVI has not sought, nor has WGN granted WGN's permission to transmit or to sell WGN's signal. However, UVI is permitted by the FCC to carry WGN's signal, so long as it meets certain conditions. *United Video, Inc.*, 69 FCC 2d 1629, 1641 (1978). One of these conditions is that UVI is not permitted to be "substantially involved in the production of, the writing of, the selection of, or the otherwise influencing of the content of any information to be transmitted over its facilities."

The Vertical Blanking Interval ("VBI")

The video television picture is reproduced on a television set by an electron gun in the rear of the television receiver. The gun scans left and right across lines and then down on the television screen. (There are 525 lines on a standard set). When the electron gun reaches the bottom of the screen, it shuts off briefly and returns to the top of the screen to repeat the process. The vertical blanking interval ("VBI") is that period of time and space in the transmission of television signals when the television picture is blank and while the electron gun is traveling from the lower right hand part of the screen to the top to begin another sequence of line by line transmission of picture information.

This time period is the equivalent of 21 scanning lines. The allotted time of twenty-one lines is set by FCC standard in its 525 line standardization

¹UVI transmission facilities are leased for a substantial fee from Radio Corporation of America pursuant to RCA's tariff with the FCC. In order to maximize its leased satellite transponder space, UVI attempts to combine or multiplex as many different communications as it can over the same transmission path. In addition to WGN's TV signal, these communications include radio station WFMT (FM) Chicago, Seeburg Music Service, and the Dow Jones Alphanumeric Business News Service.

²WGN would be compensated by cable television systems as a copyright owner of its own television programs under a compulsory licensing system created by the Copyright Act of 1976.

for television transmission. The actual time for gun return is equivalent to nine lines (fourteen with older sets). Broadcasters have traditionally transmitted the essential information to "organize" the television picture in lines 1-9 of the VBI. The remaining lines are traditionally used for test signal generation on assigned lines with lines 15 and 16 unassigned and traditionally unused.

Each of the 21 lines in the VBI is or can be used for the following:

- Lines 1-9 contain the sync pulses that direct vertical scanning;
- Lines 10-14 must be left blank to avoid picture interference on retrace in some TV receivers;
- Lines 15 and 16, with emerging technology, can be used for subtitling programming, commercial enhancement, and teletext information;
- Lines 17 and 18 are for the test signals;
- Line 19 contains the vertical interval reference signal;
- Line 20 contains a transmitter control signal; and
- Line 21 is presently reserved for closed captioning for the deaf.

The VBI is an integral part of WGN's television broadcast signal because television receivers could not function properly without it. Although only the first 14 lines of the VBI contain information important to the organization of the television program, the FCC standard is 25 lines. The entire VBI is essential to the transmission of the television picture to the television set. As WGN's expert testified:

To an engineer it is all one part of the same signal. One cannot exist without the other. It is an integral part of the signal.

However, the VBI in WGN's TV signal is not essential to UVI's retransmission of the signal to its customers. UVI, as a microwave and satellite common carrier, does not transmit directly to the ultimate television receiver, and vertical blanking is not integral to the television relay or transmission. It is more efficient and economical for UVI to strip the VBI from WGN's TV signal before transmitting the signal to the satellite, and that is what UVI has been doing. However, since the VBI is essential to television reception, the VBI must be reinserted into the signal before the signal is distributed to the cable television systems. Therefore, UVI reinserts the VBI before making the signal available to its cable system customers. UVI puts its own information on lines 1-9 of the VBI and its own test signals on lines 17-18. Although UVI had been stripping WGN's closed captioning for the deaf on line 21, UVI intends to reinsert that captioning in the VBI. The stripping of the VBI, described above, does not adversely affect the quality of the transmission of WGN's broadcast signal.

With increasingly sophisticated technology, it has become possible to broadcast more and more information in the VBI.³ Many broadcasters are exploring further commercial use of the VBI, specifically for teletext. Teletext involves the use of lines 15 and 16 of the VBI to provide viewers with information such as train schedules, weather, advertising, financial news, and television program schedules. Teletext programming is becoming successful in England and Canada.

Television receivers must be equipped with special decoders to translate information broadcast in the VBI into visual images. Some of the uses, like closed captioning for the deaf, require only one television receiver. Other uses, such as for teletext, require two receivers, one to display the teletext and a second to display traditional television programming.

The Battle for the VBI

In December 1980, WGN applied to the FCC for temporary experimental authority to transmit material on lines 10-16 of the VBI of WGN's TV signal. Part of the experiment involved the plaintiff Albuquerque Cable Television, Inc., a subsidiary of WGN. WGN's application to the FCC stated in part:

WGN further proposes to establish experimental receiving equipment at selected locations throughout the signal coverage area of WGN-TV. Since the WGN-TV signal is distributed by satellite throughout the United States to cable television systems, WGN is in a unique position to experiment with the feasibility of widespread signal distribution in the vertical blanking interval of a broadcast television signal. WGN plans to place experimental receivers in homes in Chicago, Illinois area and also in areas distant from Chicago, such as Albuquerque, New Mexico, or other communities which receive the WGN-TV Channel 9 signal by satellite transmission or other means. Albuquerque, New Mexico is the site of a cable system owned and operated by Albuquerque Cable Television, Inc., a subsidiary of WGN Continental Broadcasting Company. Albuquerque thus provides an ideal location for controlled experimentation with signal reception.

Under the proposed experimental authorization, WGN intends to check the feasibility of sending various kinds of text and data to many different areas served by the WGN broadcast signal. The program material to be transmitted will consist of news items, business data, sports scores, feature materials, broadcast schedules and other materials intended to provide a full range of test data.

On December 18, 1980, the FCC granted WGN the authorization "to perform teletext program tests, as requested."

³Presently the most common new use of the VBI is to provide closed captioning (subtitles) to assist hearing-impaired viewers. Closed captioning is ordinarily carried on line 21 of the VBI, and appears as subtitles at the bottom of the TV screen on specially equipped television sets.

At the time of this application WGN did not know that UVI was stripping the VBI from the WGN-TV signal. Obviously, if WGN's data in the VBI is stripped, the teletext material generated by WGN would not be retransmitted to Albuquerque.

Commencing on February 10, 1981, WGN broadcast teletext in lines 15 and 16 of the VBI of its television signal pursuant to the FCC authorization. Shortly before WGN began broadcasting teletext material, WGN discovered that UVI was stripping WGN's VBI when it retransmitted WGN's signal. WGN advised UVI that WGN was going to transmit information to Albuquerque, New Mexico pursuant to its FCC authorization and demanded that UVI stop stripping WGN's VBI. UVI refused and, as a result, WGN's teletext program has not been received in Albuquerque.

On February 5, 1981, UVI filed a revised tariff with the FCC seeking authorization to offer a Vertical Interval Service on its communications satellite facilities. UVI's initial revised tariff filing described the service as follows:

United Video, Inc. is instituting a new service offering to allow common carrier customers to make use of the vertical blanking interval in the WGN-TV broadcast transmission. (The blanking interval is that which separates each "frame" of a television picture and permits the picture tube circuitry to instruct the electron beam to return to the top corner of the screen for the start of a new "frame.") *This blank space in the WGN signal*, if translated to a television screen, would be at least four lines wide. It is feasible to insert encoded data in this broadcast interval to allow the use of point-to-point data transmission without in any way affecting the picture or picture quality. ("Closed captioned" subtitles for the deaf are transmitted by this means.) (Emphasis supplied.)

The next day the FCC routinely granted the request, advising though, that "the granting of the request is not to be construed as approval by the Commission." Prior to seeking FCC authorization, UVI extensively tested teletext.

WGN had no notice of the FCC proceeding, and it is clear from the evidence that UVI endeavored to keep WGN uninformed of UVI's plans. UVI was rushing to establish what one of its officers called "squatters rights" on the VBI in WGN's TV signal.

Beginning February 26, 1981, UVI has transmitted a 24-hour Dow Jones news service in the VBI of WGN's TV signal after stripping WGN's teletext information. The ability to strip WGN's teletext material was essential to the Dow Jones undertaking. Before embarking on the venture, UVI assured Dow Jones "that we had equipment on site at the uplink that could strip out any data WGN might decide to put on the vertical interval."

The battle for the VBI was on. It would be fought not in traditional terms, such as who owns the VBI, but in copyright terms.⁴ The battle

⁴WGN has an appealing equitable case based on the simple fact that without WGN's broadcast, which is "taken" by UVI without compensation, UVI would not be transmitting

would also be fought under a law which was enacted before technology permitted the use of the VBI to transmit teletext material.

The Copyright Issues

In Counts I and IV of the complaint, WGN alleges that UVI's stripping of WGN's VBI infringes WGN's copyright in two 9:00 News programs, the February 12, 1981, 9:00 News which contained experimental material in the VBI and the April 23, 1981, 9:00 News which contained a news story and program schedule in the VBI. WGN has registered and is claiming a single copyright for each of the 9:00 News programs and the teletext material transmitted in the VBI of the signal that carried the 9:00 News programs.

The Copyright Act of 1976 gives the owner of a copyright of an audiovisual work the exclusive right to publicly perform or display the copyrighted work. 17 U.S.C. § 106(4) and (5). WGN, therefore, as the owner of the copyright on its own programs has the exclusive right to transmit them to the public.

The copyright questions arising out of the retransmission of television signals and copyrighted programs were first addressed by the Supreme Court and later by Congress. Under the 1909 copyright law, the retransmission of a television broadcast to the public by a cable television system was not considered to be a "performance" and, therefore, not copyright infringement. *Teleprompter Corp. v. Columbia Broadcasting System, Inc.*, 415 U.S. 394, 94 S.Ct. 1129, 39 L.Ed.2d 415 (1974); *Fortnightly Corp. v. United Artists Television, Inc.*, 392 U.S. 390, 88 S.Ct. 2084, 20 L.Ed.2d 1176 (1968). These decisions are discussed at various places later in this opinion. Both decisions urged Congress to consider and determine the scope and extent of any such liability in the then pending copyright revision bill. In 1976 Congress enacted a substantially revised copyright law and in Section 111 of the Copyright Act of 1976 dealt with the subject of retransmissions.

The operative terms of Section 111 are "primary transmission" and "secondary transmission." They are defined in relation to each other as follows:

A "primary transmission" is a transmission made to the public by the transmitting facility whose signals are being received and further transmitted by the secondary transmission service, regardless of where or when the performance or display was first transmitted.

the Dow Jones news service. While UVI technically would be able to transmit the Dow Jones news service, it probably would not be economical to do so. Clearly UVI is economically benefitted by the use of WGN's VBI. Before this case began, the President of WGN wrote to UVI and asserted: "We regard the vertical blanking interval of the WGN-TV signal as the exclusive property of WGN-TV." However, WGN's equitable and property rights are not relevant to the copyright issues before the court. They should be relevant considerations for the FCC in deciding UVI's authority to retransmit WGN's signal or approving UVI's application to use the VBI of WGN's signal.

A "secondary transmission" is the further transmitting of a primary transmission simultaneously with the primary transmission . . . 17 U.S.C. § 111(f).

Principally, Section 111 provided for a compulsory licensing system under which cable television systems pay royalties to the owners of the copyrights of the television programs retransmitted by the cable systems. Section 111(a) also provided that certain kinds of secondary transmissions do not constitute copyright infringement of primary transmissions embodying a performance or a display of a work. Four exemptions are provided for in Section 111(a). The exemption set forth in Section 111(a)(3) is the only exemption that is at issue in this case. It provides in relevant part that:

[T]he secondary transmission of a primary transmission embodying a performance or display of a work is not an infringement of copyright if . . .

* * * * *

(3) The secondary transmission is made by any carrier who has *no direct or indirect control over the content or selection of the primary transmission* or over the particular recipients of the secondary transmission, and whose activities with respect to the secondary transmission consist solely of providing wires, cables, or other communications channels for the use of others. . . .

17 U.S.C. § 111(a) (emphasis supplied).

The parties call this the "passive carrier exemption." The legislative history is clear that this exemption protects only passive carriers of television signals:

The general exemption under section 111 extends to secondary transmitters that act *solely as passive carriers*. Under clause (3), a carrier is exempt if it "has no direct or indirect control over the content or selection of the primary transmission. . . ."

S.Rep.No.94-473, 94th Cong., 1st Sess. (1975) at 78; H.R.Rep.N.94-1476, 94th Cong., 2d Sess. (1976) at 92 (emphasis supplied), U.S.Code Cong. & Admin. News 1976, P. 5659, 5706.

WGN has taken the position that UVI's secondary transmission of WGN's copyrighted 9:00 News programs and the sale thereof to UVI's cable television system customers constitutes a copyright infringement unless UVI establishes that it is a passive carrier under § 111(a)(3). WGN further asserts that UVI is not a passive carrier because of its activities with respect to the VBI of WGN's TV signal.

UVI's position is that its secondary transmission of WGN's programming is not a copyright infringement because it transmits only to cable television systems and not the public. Next UVI asserts that if its retransmission does constitute an infringement, it is entitled to the passive carrier exemption. Finally, UVI argues that the teletext program is

separate from WGN's copyrighted 9:00 News programs, and the failure to retransmit the teletext program does not violate WGN's copyright of its 9:00 News programs.

The Passive Carrier-Exemption

The first question the court will consider is whether UVI is entitled to the passive carrier exemption. In connection with this issue, there is substantial disagreement between the parties as to what constitutes a primary transmission and control over or selection of a primary transmission for purposes of Section 111(a)(3).

WGN argues that the primary transmission is its television signal, that the stripping of any part of the signal constitutes control of the primary transmission, and that UVI's substitution of the Dow Jones news service constitutes selection of the primary transmission.⁵ In contrast, UVI argues that the primary transmission consists of WGN's television programs, that the stripping of the VBI has no effect on the broadcast of those programs, that the VBI is not part of the programs, and, therefore, that UVI is not controlling or selecting the primary transmission.

It is interesting to note that in other parts of Section 111, Congress used the concepts which WGN and UVI urge as the proper interpretation of Section 111(a)(3). In Section 111(b) a particular kind of secondary transmission is not an infringement if, among other things, "the signal of the primary transmitter is not altered or changed in any way by the secondary transmitter. . . ." This is similar to WGN's proposed interpretation of Section 111(a)(3). In Section 111(e)(1)(B) certain other kinds of secondary transmissions are not infringements if, among other things, "the copyrighted program, episode, or motion picture videotapes . . . is transmitted without deletion or editing. . . ." This is close to what UVI urges as the meaning of Section 111(a)(3). Instead of using one of these descriptive statements, however, in Section 111(a)(3) Congress referred to control over or selection of the primary transmission, which easily could mean either alteration of the signal or editing of the program.

With respect to the first part of the puzzle, is the primary transmission the signal or the program, the parties point to the definitions of primary transmission and secondary transmission and the use of certain words in other parts of Section 111. None of these arguments is persuasive. For example, UVI relies on the definition of "primary transmission" quoted

⁵This argument goes beyond WGN's original complaint that UVI was infringing two specific copyrighted 9:00 News programs. If WGN is correct that the stripping of the VBI of WGN's TV signal constitutes control of the primary transmission, then UVI could never insert the Dow Jones news service in the VBI, even when it is blank. This is the ultimate position urged by WGN in its memoranda.

above. However, the definition is not helpful because it refers both to a transmitting facility whose “signals are being received and further transmitted” and also to the “performance or display . . . transmitted.”

WGN in turn relies on the reference to “carriage of a television broadcast signal” in the definition of secondary transmission in Section 111(f). The reference, however, appears in a proviso which makes the non-simultaneous further transmission of a primary transmission by a cable system located in Hawaii a secondary transmission “if the carriage of the television broadcast signal comprising such further transmission is permissible under the rules, regulations, or authorizations of the Federal Communications Commission.” A similar reference is contained in Section 111(b), which deals with secondary transmission to the public of primary transmissions which are made for reception only by controlled groups. Congress provided that the secondary transmission is not actionable as an act of infringement if, among other things, the carriage of the “signals comprising the secondary transmission” is required under the rules, regulations or authorizations of the FCC, and the “signal of the primary transmitter is not altered or changed in any way by the secondary transmitter.”

In both of these sections, however, Congress probably referred to the transmission of signals permitted or required by the FCC simply because the FCC regulates the retransmission of “signals” and Congress wanted to be sure that the secondary transmission was at least authorized, and in certain instances required, by the FCC.⁶ So these references in the Act to “signals” are far from conclusive.

Finally, WGN relies on a reference to signals in the legislative history of the Act, but the reference is made in connection with Section 111(a)(1) which creates an exemption for secondary transmission by the management of a hotel, apartment house, or similar establishment, “of signals transmitted” by a licensed broadcast station. This exemption was discussed in the House Report as follows:

The exemption would not apply if the secondary transmission consists of anything other than the *mere relay of ordinary broadcasts*. The cutting out of advertising, the running in of new commercials, or *any other change in the signal relayed would subject the secondary transmitter to full liability*.

H.R.Rep. N. 94-1476, *supra*, as summarized in 17 U.S.C.A. at 168 (emphasis supplied). In this paragraph, the House Report refers to both the

⁶See, for example, the discussion of FCC regulations applicable to cable television systems in *United States v. Southwestern Cable Co.*, 392 U.S. 157, 88 S.Ct. 1994, 20 L.Ed.2d 1001 (1968). Also, in Section 111(b) Congress deemed it necessary to add the concept that the “signal cannot be altered or changed” so that it was clear that the signal was not “unscrambled” so that it could be transmitted to the public. H.R. Rep.No.94-1476, *supra*, as summarized in 17 U.S.C.A. at 168.

"relay of ordinary broadcasts" and the "signal relayed." The reference to signals is not surprising since Section 111(a)(1) specifically refers to "signals transmitted." Moreover, the legislative history of this section has no direct bearing on Section 111(a)(3).

[1] The court concludes that Congress did not consider the primary transmission to be the signal separate from the program or vice versa, but rather treated the program and the signal as inseparable. The Supreme Court in *Fortnightly* and *Teleprompter* similarly used "signal," "broadcast" and "program" interchangeably. For example, in *Teleprompter* the Court stated that a cable television system makes a choice as to which "signals" to retransmit and thereafter it simply carries without editing whatever "programs" it receives. *Teleprompter Corp. v. CBS, supra*, 415 U.S. 394 at 410, 94 S.Ct. 1129 at 1139, 39 L.Ed.2d 415. It would be artificial to decide this case on a finding based on the language of the Act and its legislative history that Congress intended the primary transmission to be the signal without the program or the program without the signal.

The term "primary transmission" as used in Section 111(a)(3) should be interpreted in such a way that it has copyright significance. In creating exemptions for copyright liability in Section 111(a), Congress expressly referred to "primary transmissions embodying a performance or a display of a work." The reference to "primary transmission" in subpart (3) of Section 111(a) easily could be read as a reference to a "primary transmission embodying a performance or a display of a work." Under this reading of the statute, UVI would be exempt so long as it does not "control" or "select" the copyrighted 9:00 News programs broadcast by WGN.

This reading makes sense textually and is consistent with the theory and purpose of copyright laws. As UVI argues, the copyright laws are designed to protect intellectual property, not methods of communication. Although Congress could have created an exemption for carriers on a number of grounds, including a requirement that the carrier not alter or change the broadcaster's signal, it is far more likely that Congress would impose copyright liability on a carrier based on activity that has significance in the copyright context.⁷

⁷The concept that the retransmitter's activities which cause it to be an infringer should directly relate to the retransmission of the copyrighted work comes from the Supreme Court's decision in *Teleprompter Corp. v. CBS, Inc., supra*. In that case, the television broadcaster of copyrighted programs argued that the cable television system was engaging in activities which, under the "passive test" developed by the Supreme Court in *Fortnightly*, pushed the cable television system over the line and made it more like a broadcaster and hence liable for copyright infringement. These activities included, among other things, origination of its own programs and insertion of local advertising. The Court decided that these activities were not relevant because "in none of these operations is there any nexus with the cable television system's reception and rechanneling of the broadcaster's copyrighted materials." 415 U.S. 394, at 405, 94 S.Ct. 1129, at 1136, 39 L.Ed.2d 415. The Court viewed these activities as "simply extraneous to a determination of copyright infringement liability with respect to the reception and retransmission of broadcasters' programs." *Id.*

[2, 3] Activity which changes the content of the copyrighted work clearly has copyright significance. On the other hand, mere alteration of the signal which does not affect the retransmission of the broadcaster's copyrighted work has no copyright significance.⁸ Thus, interpreting "primary transmission" in Section 111(a)(3) to mean "primary transmission embodying the performance or display of a work" would make the denial of the exemption from copyright liability depend on activity which has copyright significance. (Notably, the Supreme Court ultimately treated the retransmissions at issue in *Fortnightly* and *Teleprompter* as the retransmission of the copyrighted work.) Therefore, the court holds that the "primary transmission" as used in Section 111(a)(3) means the copyrighted work which is initially broadcast and retransmitted.

The next question is whether UVI's activities constitute control over or selection of the primary transmission.⁹ In this case the primary transmissions at issue are two 9:00 News programs broadcast by WGN at approximately the same time WGN was transmitting teletext programs. WGN registered each news program and the teletext program transmitted during the same time period as a single copyright.

WGN argues that UVI's deletion of any part of a copyrighted program constitutes control over or selection of the primary transmission. The court agrees. If the teletext program and the 9:00 News program properly constitute a single copyrighted audiovisual work, then UVI's deletion of the teletext portion of the work should result in UVI's loss of the passive carrier exemption with respect to the secondary transmission of that program. In this multi-media age, it should not matter, as UVI argues, that it takes two television sets to receive the audiovisual work. It also should not matter that at the present time very few television sets are equipped with the decoder necessary to receive teletext programs. The transmission of teletext is still made to the public. Broadcasters transmit their signals indiscriminately to the public to be received by those members of the public having the necessary receiving equipment. As a precedent, color transmissions initially could only be received by a relatively few television sets, but the transmissions were available to the public and soon became popular.

⁸Changes in the television signal by the cable television system which did not affect the content of the copyrighted program were deemed irrelevant for copyright purposes by the Supreme Court in *Fortnightly Corp. v. United Artists Television, Inc.*, 392 U.S. 390, 399 n.27, 88 S.Ct. 2084, 2089 n.27, 20 L.Ed.2d 1176.

⁹The control and selection test was developed by the Supreme Court in *Fortnightly* and *Teleprompter*. Although both of those cases dealt with cable television systems and not carriers, it is likely that Congress was applying a similar test to carriers in Section 111(a)(3). Although Congress rejected the result of the cases and made cable television systems subject to a compulsory licensing system, Congress did not reject the Court's analysis. In any event, these cases continue to be instructive as to what constitutes control over or selection of the primary transmission.

UVI contends, however, that in each of the two instances at issue, WGN's teletext program and its 9:00 News program are not a single audiovisual work and are not properly copyrighted under a single copyright.

"Audiovisual works" are defined in the Copyright Act of 1976 as:

Works that consist of a *series of related images* which are intrinsically intended to be shown by the use of machines or devices such as projectors, viewers, or electronic equipment, together with accompanying sounds, if any, regardless of the nature of the material objects, such as films or tapes, in which the works are embodied. 17 U.S.C. § 101. (Emphasis added.)

Thus, the Act contemplates one copyright for each "series of related images." The statute follows the early cases holding that motion pictures could be copyrighted as one "photograph" based on the fact that a motion picture "is, in substance, a single photograph, . . . shown by the fact that its value consists in its protection as a whole or unit. . . ." *Edison v. Lubin*, 122 F. 240 (3d Cir. 1903), *appeal dismissed*, 195 U.S. 625, 25 S.Ct. 790, 49 L.Ed. 349 (1904); *see also American Mutoscope & Biograph Co. v. Edison Manufacturing Co.*, 137 F. 262 (C.C.D.N.J.1905).

[4, 5] There are three required elements for an audiovisual work:

It must consist of (1) "images"; (2) such images must be sequential, that is, they must be "related" and presented in a "series"; (3) such images must be capable of being shown by a machine or device. 1 *Nimmer on Copyright*, § 209[A] (1980).

WGN's claim that its news program *plus* its teletext transmissions constituted one copyrighted work fails under this test. The teletext transmission simply was not part of the 9:00 News program; they were not intended to be viewed together as a single work by the same viewer at the same time. The teletext transmission did not constitute part of the same "series of related images" which made up WGN's regular news program. WGN transmitted two audiovisual works on each night at issue: the 9:00 News program without teletext and the teletext program.

[6] WGN suggests that a teletext program may be related to the regular television program and "if all WGN has to do is relate teletext to WGN's television programming . . . , that day will soon come." Based on the successful use of teletext in Canada and England, it does appear that WGN's day will come and broadcasters will commercially transmit regular programming and teletext as a single copyrighted work. But that is not this case.

Since the 9:00 News program and the teletext program are separate and distinct audiovisual works, they may not properly be the subject of a single copyright. UVI's activities in stripping the teletext program do not interfere with or even relate to the secondary transmission of WGN's

copyrighted 9:00 News program. With respect to the 9:00 News, all UVI does is receive and retransmit it, without editing, to its various cable television system customers throughout the country. This kind of activity by a cable television system was considered “passive” by the Supreme Court in *Fortnightly*. The Court stated (392 U.S. 390 at 400, 88 S.Ct. 2084 at 2089, 20 L.Ed.2d 1176):

The function of CATV systems has little in common with the function of broadcasters. CATV systems do not in fact broadcast or rebroadcast. Broadcasters select the programs to be viewed; CATV systems simply carry, without editing, whatever programs they receive. Broadcasters procure programs and propagate them to the public; CATV systems receive programs that have been released to the public and carry them by private channels to additional viewers.

Even when the cable television system engaged in such activities as program origination, insertion of advertising, interconnection with other cable television systems, and the selection of a distant signal over numerous closer signals, the Supreme Court held in *Teleprompter* that so long as those activities did not relate to or affect the receipt and retransmission of the broadcaster’s copyrighted programs which were allegedly infringed, the activities had no copyright significance. The Court viewed the activities as “simply extraneous to a determination of copyright infringement liability with respect to the reception and retransmission of broadcasters’ programs.” *Teleprompter Corp. v. CBS, supra*, 415 U.S. 394 at 405, 94 S.Ct. 1129 at 1136, 39 L.Ed. 2d 415.

Similarly, having held that the 9:00 News program and the teletext program are not the same copyrighted work, UVI’s deletion of the teletext program and insertion of the Dow Jones news program are extraneous to a determination of copyright infringement with respect to UVI’s secondary transmission of the 9:00 News programs.

On this analysis the court holds that UVI’s activities in stripping WGN’s VBI (whether blank or used for teletext material) and UVI’s insertion of the Dow Jones news service do not constitute control over or selection of WGN’s 9:00 News programs, the primary transmissions at issue in this case. Therefore, UVI is entitled to the benefit of the passive carrier exemption of Section 111(a)(3).

The Public Performance Requirement

The remaining copyright issues before the court are issues raised by UVI’s defense that even if it is not entitled to the passive carrier exemption, it is not guilty of copyright infringement because it does not transmit the teletext program at all, and none of its secondary transmissions are to the public. Although the court’s decision that UVI is entitled to the passive carrier exemption with respect to WGN’s 9:00 News programs renders

these issues moot, the court will decide them as an alternative ground of decision.

There is no dispute that a secondary transmission of copyrighted programs constitutes a "performance" for copyright purposes. Although there are textual difficulties in the Copyright Act of 1976, 2 *Nimmer on Copyright* § 8.18[B] at 8-197, the legislative history of the Act clearly indicates that Congress intended to include a retransmission in the concept of a "performance." *Orth-O-Vision, Inc. v. Home Box Office*, 474 F.Supp. 672, 685 (S.D.N.Y.1979)

However, the performance must be public. The legislative history of the Copyright Act clarifies the necessity for performances or displays to be "public" as a prerequisite to an infringement action:

Although any act by which the initial performance or display is transmitted, repeated, or made to recur would itself be a "performance" or "display" under the bill, it would not be actionable as an infringement unless it were done "publicly," as defined in section 101. H.R.Rep. No. 94-1476, 94th Cong., 2d Sess. 63 (1976), U.S.Code Cong. & Admin.News 1976, p. 5677.

The definition of "publicly" in § 101 of the Act reads as follows:

To perform or display a work "publicly" means—(1) to perform or display it at a place open to the public or at any place where a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered; or (2) to transmit or otherwise communicate a performance or display of the work to a place specified in clause (1) or to the public, by means of any device or process, whether the members of the public capable of receiving the performance or display receive it in the same place or in separate places and at the same time or at different times. 17 U.S.C. § 101.

The relevant part of the definition under the facts in this case is: "To perform or display a work 'publicly' means . . . to transmit . . . to the public. . . ."

[7] UVI's first argument is that even treating the teletext material as a separate copyrighted work, and UVI's deletion of that program and substitution of the Dow Jones news service as a selection of the primary transmission, it nevertheless is not guilty of infringing any copyright on the teletext program because it does not transmit that program. The court agrees. The activity which might constitute the "selection" of a primary transmission only results in the loss of the exemption; it does not create copyright liability. In the absence of a performance of the copyrighted work, there can be no infringement.

UVI's failure to transmit the teletext program may have significance to the FCC because UVI's license is conditioned on its not being substantially involved in the selection of the information transmitted over its facilities. But that is not an issue in this case.

[8] UVI's final argument, that all else failing it cannot be liable as an infringer because it does not transmit to the public, also is correct. UVI transmits to its customers, principally cable television systems, which in turn transmit to the public. UVI does not directly transmit to the public.

The FCC has authorized UVI to operate as a communications common carrier or resale satellite carrier "for the purpose of point-to-multipoint distribution of television and associated audio signals of [WGN]." United Video, Inc., 69 FCC2d 1629, 1639 (1978). The difference between broadcasting and point-to-point transmission, which is not broadcasting, is described by the Court of Appeals in *CBS v. Teleprompter Corp.*, 476 F.2d 338, 343 n.6 (2d Cir. 1973).

UVI has no authority to distribute WGN's TV signal to individual viewers or members of the public. That distribution is performed by the cable systems, which in turn must obtain FCC authorization for such distribution. UVI's license to transmit WGN's TV signal prohibits service to any cable television system which does not have FCC authorization to distribute the transmitted signal. *Id.* 69 FCC 2d at 1641-42. The cable television systems authorized by the FCC to receive and distribute WGN's TV signal pay copyright fees to the U.S. Copyright Office pursuant to a compulsory copyright license for distribution of WGN programming to their subscribers.

The subscribers of cable television systems are clearly the "public." See 17 U.S.C. § 111(f):

A "cable system" is a facility . . . that in whole or in part receives signals transmitted or programs broadcast by one or more television broadcast stations licensed by the Federal Communications Commission, and makes secondary transmissions of such signals or programs by wires, cables, or other communications channels to *subscribing members of the public* who pay for such service. (Emphasis added.).

The cable television systems to which UVI transmits, although numerous (more than 1400), are not the "public" and UVI's transmissions to these systems are not transmissions to the public. The cable systems are not viewing WGN's programming, but distributing the programming to the public. It is not UVI's transmission which reaches the public, but the cable television systems' transmission.¹⁰

It is true that without UVI these cable systems would not be able to transmit WGN's programming to the public, but UVI is only an intermediary in the distribution chain. The retail distributors, the cable

¹⁰The two transmissions are distinct. The secondary transmissions made by cable systems to their subscribers are necessarily entirely different transmissions than those which UVI transmits to cable systems. Cable systems must process the transmissions received from UVI and retransmit them in a different form in order to be viewable by their subscribers on ordinary television receivers.

television systems, pay royalties because they distribute to the public. If the wholesaler, UVI, was also liable for copyright infringement, it would also be liable for royalties. That would result in a double payment but the number of ultimate viewers would remain the same.

WGN points out that members of the public are now capable of picking up satellite transmissions by use of homemade satellite receiving dishes. See, for example, TIME Magazine, "Earth Stations: Sky in the Pie," September 7, 1981, at page 70. WGN argues that this makes UVI's satellite transmissions just as much "in the air" as those of a television broadcaster. There are significant differences between UVI and a broadcaster. Transmission to home satellite receiving dishes is not part of UVI's business and such transmissions are not intended by UVI nor authorized by the FCC. UVI receives no commercial benefit from such transmissions. (In contrast, television broadcasters put their signals in the air for the general use of the public but they sell advertising time to advertisers.) Under these circumstances, the fact that some members of the public can receive the satellite transmissions does not turn UVI's transmissions into transmissions to the public for copyright purposes.

Finally, WGN argues that a holding that carriers do not transmit to the public would render meaningless the passive carrier exemption of Section 111(a)(3). The Section 111(a)(3) exemption probably was necessary because of the Act's broad definition of a "secondary transmission" in Section 111(f) which seems to encompass the mere carrier function. If a carrier is not entitled to the exemption, however, there is nothing in the Act which would eliminate for purposes of making carriers liable for copyright infringement the requirement that the transmission be to the public. In the absence of any such explicit provision in the Act, the court will not read the "public" requirement out of the Act.

The court, therefore, holds that UVI is not transmitting to the public and even if it were not entitled to the passive carrier exemption, it would not be guilty of infringement of WGN's copyrights.

Tortious Interference with Plaintiff's Contractual Relations and Expectancies

[9] Plaintiffs have alleged tortious interference with contract and economic expectancy claims. Counts II and III of the complaint. Plaintiffs state that they "filed these claims to show the Court that UVI's unlawful acts have damaged more than WGN's copyright rights." However, UVI has not committed any unlawful acts and its activities in stripping WGN's teletext program do not constitute tortious interference with plaintiffs' contract or expectancy rights.

The contract or expectancy rights alleged by plaintiffs are based on an experiment involving the broadcast of teletext which WGN and one of its subsidiaries, Albuquerque Cable Television, Inc., wanted to conduct. The

experiment is described in WGN's application to the FCC which is quoted above in the section of this opinion entitled "The Battle for the VBI."

A lengthy discussion of Illinois law is not necessary. Plaintiffs' claims under Counts II and III of the complaint fail because their contract or expectancy depended upon UVI's transmission of the teletext program from Chicago to Albuquerque and UVI had no legal obligation to transmit the program without being paid for its services by the plaintiffs.¹¹ Two parties cannot contract between themselves to accomplish a goal which cannot be achieved without a third party's services which are available for hire, not hire those services, and then complain that the third party's failure to provide the services constituted a tortious interference with their contract. On the uncontroverted facts before the court, plaintiffs' claims in Counts II and III must fail.

Conclusion

For the reasons stated in this opinion, the court hereby orders that WGN's motion for a permanent injunction is DENIED and UVI's motion for summary judgment on all counts of the complaint is GRANTED. The case is DISMISSED.

WONDURA PRODUCTS, INC.v. DART INDUSTRIES, INC.

No. EC 80-54-LS-P

*(United States District Court, N. D. Mississippi, E. Div.—Decided
May 12, 1981)*

215 USPQ 94

Action by Wondura Products, Inc., against Dart Industries, Inc., for antitrust violation. On defendant's motion to dismiss. Motion granted.

¹¹In this case, even if UVI's stripping of the teletext program violated WGN's copyright rights, that violation would not compel UVI to transmit the teletext material. If there was a copyright violation, UVI could be enjoined from transmitting the 9:00 News program without the transmission of the teletext program, but there still would be no legal obligation to transmit in the first instance. It may be that UVI's license from the FCC requires that UVI transmit the teletext program, but this has not been asserted by the plaintiffs.

COPYRIGHTS**1. Rights embraced in copyrights**

Unlike patent, copyright does no more than make exact duplication of protected work unlawful.

Fred M. Bush, Jr., F. M. Bush, III, and Mitchell, McNutt, Bush, LaGrone & Sams, all of Tupelo, Miss., and F. M. deRosa, Walter D. Ames, Bernard L. Sweeney, and Watson, Cole, Grindle & Watson, all of Washington, D.C., for plaintiff.

Jack C. Goldstein, and Arnold, White & Durkee, both of Houston, Tex., Jeremy J. Eskridge, and Mitchell, Eskridge, Voge, Clayton & Beasley, both of Tupelo, Miss., and Kenneth J. Hovet, Los Angeles, Calif., for defendant.

SENTER, District Judge. The court has before it defendant's motion to dismiss Count II of the amended complaint for failure to state a claim upon which relief can be granted under Rule 12(b)(6), F. R. Civ. P.

Based upon the allegations of Count II of the amended complaint, which are accepted as true for purposes of defendant's motion under Rule 12(b)(6), F. R. Civ. P., the court is of the opinion that there exists no set of facts which plaintiff might prove in support of its claim which would entitle it to relief under 15 U.S.C. § 1, et seq., *Conley v. Gibson*, 355 U.S. 41, 2 L.Ed.2d 80 (1957).

In Count II of the amended complaint, plaintiff has charged that defendant fraudulently obtained copyright registration for its No. 2380 cane mirror and that thereafter defendant attempted to enforce its copyright in an effort to monopolize the relevant market. Plaintiff has made no attempt to define the relevant market, and the court will assume, for the purposes of this motion, that the relevant product market, defined as narrowly as is reasonable, would be "injection-molded plastic framed mirrors." In order to prove attempted monopolization, the Sherman Act violation charged in the complaint, plaintiffs would be required to demonstrate that defendant's attempt to enforce its copyright for its No. 2380 cane mirror posed a "dangerous probability" of monopolization within the relevant market. *Yoder Brothers, Inc. v. California-Florida Plant Corp.*, 537 F.2d 1347, 193 USPQ 264 (5 Cir. 1976).

[1] Unlike a patent, a copyright does no more than make unlawful *exact duplication* of a protected work. Defendant's attempt to enforce its copyright could not foreclose competition in the relevant market since competitors are free to produce a competing product which is anything other than an *exact duplicate* of the protected work. Any significant alteration in the design of the frames produced by plaintiff would defeat a claim of infringement.

It is apparent to the court that defendant's attempt to enforce its copyright for its No. 2380 cane mirror does not pose a "dangerous probability"

of monopolization in the market for “injection-molded plastic framed mirrors.” Clearly, the issues in this copyright case are not analogous to the issues before the court in *Walker Process Equipment, Inc. v. Food Machinery & Chemical Corp.*, 382 U.S. 172, 15 L.Ed.2d 247, 147 USPQ 404 (1965). We conclude, therefore, that there exists no set of facts which plaintiff could prove in support of its claim under 15 U.S.C. § 1, et. seq., which would entitle it to relief.

Accordingly, it is

ORDERED:

That defendant’s motion to dismiss is hereby **GRANTED**.

That Count II of the amended complaint is hereby **DISMISSED** with prejudice.

SO ORDERED.

WORLD MUSIC COMPANY v. ADAM R. LEVY & FATHER ENTERPRISES INC., et al.

No. 80 Civ. 2174

(United States District Court, S. D. New York—Decided April 15, 1981)

214 USPQ 854

Action by World Music Company, against Adam R. Levy & Father Enterprises, Inc., Patricia Music Publishing Corp., and Morris Levy, to determine rights in copyright. On cross motions for summary judgment. Motions denied.

COPYRIGHTS

1. Title—Assignment and license

Author of original musical composition may freely assign both right to original copyright, which lasts for 28 years, and right to renew copyright for identical period; however, general transfer of author’s copyright that does not specifically mention renewal rights, will not effect assignment of renewal rights unless there is specific proof of contrary intention.

Harold Orenstein, New York, N.Y. (Morton L. Ginsberg, New York, N.Y., of counsel) for plaintiff.

Abeles, Clark & Osterberg, New York, N.Y., for defendants.

HAIGHT, District Judge. This action, in which plaintiff seeks declaratory and injunctive relief as well as damages, involves the owner-

ship of the copyright to "Lullaby of Birdland," a song composed by defendant George Shearing. All defendants except defendant Shearing move pursuant to F.R.Civ.P. 56 for summary judgment in their favor dismissing the complaint. For the reasons stated, the motion is denied.

I.

The following undisputed facts appear from the exhibits and affidavits submitted on the motion.

[1] By agreement dated July 22, 1952, Shearing assigned the as yet unpublished musical composition entitled "Lullaby of Birdland" (the "composition") to defendant Patricia Music Publishing Corporation ("Patricia"), a music publisher. The rights transferred by way of this assignment included, inter alia, "the right to secure copyright therein throughout the entire world, and to have and to hold the said copyright and all rights of whatsoever nature thereunder existing, subject to the terms of this agreement." Exhibit 1 to Affidavit of Morris Levy, sworn to June 17, 1980, ¶1. The claim to copyright was first registered on August 22, 1952, and the original term of the copyright expired on December 31, 1980. It is conceded for purposes of this motion that the July 22 agreement between Shearing and Patricia did not transfer Shearing's right to renew the copyright for an additional twenty-eight year period beyond its original term.¹

On October 19, 1953, plaintiff World Music Company entered into a written contract (the "W.M.C. contract") with Patricia which vested in plaintiff certain rights to the copyright in the composition. Paragraph 9 of the W.M.C. contract, which was drafted by plaintiff's attorneys, provides:

"It is agreed that the rights acquired by you [World Music] hereunder on said number published by you as hereinabove set forth shall remain your property so long as you shall not be in default hereunder, for the term of the United States

¹The author of an original musical composition may freely assign both the right to the original copyright, which lasts for twenty-eight years, and the right to renew the copyright for an identical period. *Picture Music, Inc. v. Bourne, Inc.*, 314 F.Supp. 640, 167 USPQ 348 (S.D.N.Y. 1970). However, a general transfer of the author's copyright that does not specifically mention renewal rights, will not effect an assignment of the renewal rights unless there is specific proof of a contrary intention. *Epoch Producing Corp. v. Killiam Shows, Inc.*, 522 F.2d 737, 746-47, 187 USPQ 270, 277-278 (2d Cir. 1975); *Edward B. Marks Music Corp. v. Charles K. Harris Music Publishing Co.*, 255 F.2d 518, 521, 117 USPQ 308, 309-310 (2d Cir. 1958), cert. denied, 358 U.S. 831, 119 USPQ 501 (1958); see *Fred Fischer Music Co. v. M. Witmark & Sons*, 318 U.S. 643, 57 USPQ 50 (1943). The 1952 contract between Shearing and Patricia may be characterized as a general transfer, and no evidence has been submitted on this motion to indicate that the contracting parties intended to assign the renewal rights. In fact, as discussed in the text, the subsequent conduct of Shearing and Patricia unequivocally establishes that they proceeded on the assumption that the renewal rights had not been transferred.

copyright in the said number, and any extensions or renewals of said copyright if it is *owned or controlled by us* [Patricia].”

Exhibit 2 to Levy Affidavit, ¶ 9 (emphasis added).

In 1953, defendant Morris Levy (“Levy”) owned one-third of the outstanding shares of Patricia; sometime thereafter, he acquired a 100% interest in the company. In 1976, Patricia was merged into Big Seven Music Corporation (“Big Seven”), a wholly owned subsidiary of Admo Music Inc., of which Levy is the sole stockholder. Neither Big Seven nor Admo are defendants in this action.

In October 1979, Shearing assigned his renewal rights in the copyright to the composition to defendant Adam R. Levy & Father Enterprises (“Enterprises”). Levy is the majority shareholder of Enterprises; his son, Adam Levy, is the only minority shareholder. Although Enterprises and Big Seven share the same controlling stockholder (Levy), the same officers and directors, and maintain offices at the same location, their respective bank accounts, business records, contracts and the like are maintained separately. Levy avers that the renewal rights were acquired by Enterprises, rather than the other companies controlled by Levy, for estate planning and other tax purposes. Levy Affidavit, ¶ 16. Enterprises notified plaintiff that Enterprises acquired the renewal rights, thereby terminating plaintiff’s interest in the composition copyright that it had acquired by virtue of the W.M.C. contract.

On the basis of the foregoing, plaintiff alleges that the assignment of the renewal rights “by Patricia and Shearing” to Enterprises was a bad faith transfer made “for the purpose and with the intention to defraud and to hinder plaintiff” from continuing to exercise the rights it obtained in the copyright under the W.M.C. contract, Complaint ¶15; that despite the transfer of renewal rights to Enterprises, the copyright “continues to be controlled, directly or indirectly by defendant Patricia by reason of the interest of defendant Levy in defendant Enterprises,” Complaint, 20; and that Enterprises and Levy induced Patricia to breach its agreement with plaintiff, Complaint, ¶¶ 24, 25. All three claims are based on Levy’s controlling interests in Patricia; Big Seven, Patricia’s successor in interest; and Enterprises. Plaintiff prays for a declaration that the transfer of the renewal rights is ineffective and that plaintiff retains its rights to the copyright under the W.M.C. contract for the entire renewal period. On the tort claim, it seeks damages in the amount of \$500,000.

II.

On the instant motion, the moving defendants argue that because the renewal rights were effectively transferred by Shearing to Enterprises² and

²See note 1, *supra*.

because Patricia and Enterprises are and always have been separate corporate entities, Patricia presently has neither an ownership nor a controlling interest in the copyright or its renewal. Consequently, it is urged that under the express terms of paragraph 9 of the W.M.C. contract, which states that the rights acquired by plaintiff thereunder shall remain plaintiff's during the renewal period if the copyright is still "owned or controlled" by Patricia, plaintiff's license in the copyright has necessarily expired. Plaintiff does not dispute Enterprises' technical ownership of the copyright. Rather, it contends that because of Levy's stockholdings in and concomitant power to "govern, direct, dominate or 'control' " Patricia, Big Seven, and Enterprises, the copyright is clearly controlled by Patricia. Accordingly, plaintiff cross moves for summary judgment in its favor, although on which count of the complaint and for what relief is not clear.³ In the alternative, plaintiff argues that a genuine issue of material fact sufficient to preclude summary judgment exists with respect to the intent of Patricia and plaintiff when they inserted the term "control" in paragraph 9 of the W.M.C. contract.

Defendants correctly argue that there are no facts in the present record which would justify piercing the corporate veil in order to treat the defendant corporate entities either as one indistinguishable corporation or as a mere front for Levy. This position, however, does not mandate a finding in defendants' favor as a matter of law. It may reasonably be inferred that by using the disjunctive in paragraph 9 of the W.M.C. contract—"owned or controlled"—the parties contemplated circumstances other than Patricia's ownership of the renewal rights under which plaintiff would retain an interest in the composition copyright beyond its original period. Two obvious issues of material fact are raised by this conclusion: the intent of the parties to the W.M.C. contract when they inserted the word "control,"⁴ and the extent to which Patricia still controls the copyright because of the majority position of Patricia's sole shareholder in Enterprises.

Although the W.M.C. contract appears to be fully integrated, the parole evidence rule does not preclude evidence intended to clarify, rather than contradict, its terms. Where, as here, the plain meaning of the contract is not evident from the words used, any relevant evidence is admissible to aid in determining the meaning of an integration. *FLLI Moretti Cereali v. Continental Grain Co.*, 563 F.2d 563, 566 (2d Cir. 1977); *Allstate Ins. Co. v. White Metal Rolling & Stamping Corp.*, 466 F.Supp.

³The motion papers only address the ownership of the copyright, not the claim of tortious inducement nor damages therefor.

⁴It is well established that summary judgment is inappropriate when questions of contractual intent are raised. See, e.g., *Heyman v. Commerce and Industry Ins. Co.*, 524 F.2d 1317 (2d Cir. 1975)

419, 421 (E.D.N.Y. 1979); Wall St. Co. v. Franklin Nat'l Bank, 37 N.Y.2d 245, 248-49, 371 N.Y.S.2d 915, 918, (1975).

Conclusion

There being triable issues of fact, the cross motions for summary judgment are DENIED.

Counsel for the parties are directed to appear at a status conference on May 15, 1981 at 3:00 p.m. in Courtroom 312.

IT IS SO ORDERED.

APPENDIX

SUPPLEMENTAL LIST OF CASES

The cases cited in this supplemental list are not printed in full in this bulletin. They represent, however, a selected group of cases of possible interest, and have been summarized by Mark A. Lillis.

CONTRACTS INVOLVING LITERARY PROPERTY:

Nature House, Inc. v. Sloan. (Employer brought an action to enforce certain restrictive covenants against its former employee, a noted painter of bird and other wildlife subjects. Under the terms of the covenants, the artist was forever forbidden to paint any of the birds that he painted for his employer anywhere in the world and whether or not in competition with the plaintiff. The artist was also permanently foreclosed from producing any prints or reproductions of his paintings without the plaintiff's consent, and regardless of the absence of any competition with the plaintiff. The court *held* that such broad restrictions, absent any time or geographical limitations, are clearly contrary to the public policy of Illinois and void as a matter of law. Accordingly, the artist was awarded summary judgment dismissing the complaint as to the restrictive covenants. The court considered moot the defendant's contention that the covenants were void as an attempt to create a common-law copyright in contravention of 17 U.S.C. 301 which preempts all state statutory and common law in the field.) 515 F.Supp. 398 (N.D. Ill., May 5, 1981); *aff'd without published opinion*, 676 F.2d 700 (7th Cir., Feb. 3, 1982).

DESIGNS:

Keene Corp. v. Paraflex Industries, Inc. (The scope and meaning of the doctrine of aesthetic functionality by which the manufacturer of a product is deprived of the right to enjoin imitations of the product's design or configuration was the issue in an action by the manufacturer of a commercial exterior wall-mounted cubiform luminaire. The district court refused to enter either a preliminary or permanent order enjoining defendant from copying plaintiff's design on the grounds that its functional aspect precluded any exclusive appropriation by plaintiff. The lower court argued that, because the luminaire was wall-mounted and not a free-standing street lamp, part of its function included architectural compatibility with the structure or building on which it is mounted, and hence its design configuration is intricately related to its function, rather than merely serving as an arbitrary expression of aesthetics.

The Court of Appeals *affirmed*, finding that the lower court was not clearly erroneous in ruling that competition would be stifled by restricting the copying of plaintiff's luminaire since there were only a limited number of configurations or designs for a luminaire compatible with the type of structures on which they were mounted. Plaintiff's argument that the district court's injunction requiring product labeling is inadequate to avoid the possibility of confusion as to source was rejected in the language of the Supreme Court in *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 34 C.O.Bull. 441 (1964): "But mere inability of the public to tell two identical articles apart is not enough to support an injunction against copying or an award of damages for copying that which the federal patent laws permit to be copied." 653 F.2d 822, 211 USPQ 201 (3rd Cir., July 9, 1981—*Rehearing and rehearing en banc denied*, Aug. 6, 1981).

LIBEL:

Giaimo v. Literary Guild; Literary Guild v. McCabe. (A photograph of plaintiffs was used, allegedly without authorization, to illustrate an advertisement for a book entitled *Crazy Love* which contained libelous text in that it described the book as an autobiographical account of marriage and madness. Plaintiffs contended that the accompanying photographs, shown in a frame with shattered glass, clearly implied that they are the persons referred to by the text. *Affirming* dismissal of the libel action by the Supreme Court of New York County, the Appellate Division found that plaintiffs failed to establish that the article was "of and concerning" them since it prominently featured the author's name and clearly stated that the book is an autobiographical account of the author's marriage. The dissenting opinion pointed out that, even if plaintiffs were public figures, which they are not, the news or information privilege does not extend to the commercialization of one's personality in a form distinct from the dissemination of news or information, and that the use of the photographs in this case could well have created an incorrect impression casting plaintiffs in a false light.) 79 A.D.2d 917, 434 N.Y.S.2d 419 (App. Div., 1st Dep't, Jan. 8, 1981).

MONOPOLIES:

Fleer Corp. v. Topps Chewing Gum, Inc. (Bubble gum manufacturer sued for violation of the antitrust laws, alleging that a competitor and the major league baseball players' association excluded effective competition in the sale of baseball trading cards through a series of interlocking exclusive licensing contracts which amounted to a conspiracy to monopolize. Each card contains, typically, the name and picture of one player, in team uniform on the front, and career statistics and personal information on the back. On appeal from judgment for plaintiff, the Court of Appeals *reversed and remanded*, holding that individual licensing agreements with each major and minor league baseball player concerning the trading cards, a commercial authorization contract between individual players and their union, and the renegotiation of players' earlier contracts so as to tie their royalties to sales of trading cards, did not constitute a conspiracy in violation of the Sherman Act.

In arriving at its decision, the Court of Appeals upheld both the exclusiveness and assignability of the baseball player's right of publicity whose effect could be analogized to the protection afforded by the patent and copyright laws. Moreover, the mere fact that defendant manufacturer managed through individual contracts with every minor league player to obtain license agreements with all major league players fails to make the aggregation of these contracts an unlawful combination in restraint of trade. In the court's view, the same would be true of the mere accumulation of patents, or trademarks, or copyrights.

Likewise, the commercial authorization contract between the players' union and individual players was not a combination in restraint of trade but merely a collective renegotiation of all the players' individual licensing agreements with defendant manufacturer, carried out in order to increase the players' royalties under their prior licensing agreements. The rejection of plaintiff's contract proposal by the players' union executive board because it might depress the overall sales of baseball products is not evidence of monopoly power, noted the court, but merely a reflection that not every opportunity for a publicity license must be used. "The right to withhold and negotiate publicity selectively for economic gain is implicit in the very nature of the right of publicity.") 658 F.2d 139 (3d Cir., Aug. 25, 1981), *rev'g* 501 F.Supp. 485 (E.D. Pa., June 30, 1980); *cert. denied*, 455 U.S. 1019, 102 S.Ct. 1715, 72 L.Ed.2d 137 (U.S. Sup. Ct., Mar. 22, 1982).

Greenbrier Cinemas, Inc. v. Attorney General of the United States. (Action for declaratory judgment by motion picture exhibitor seeking declaration that motion picture product allocation agreement, or "split," in which it participated, did not violate federal antitrust laws, and that defendant's enforcement intentions regarding such "splits" be held to

MONOPOLIES – Continued

have no basis in law. Participants in a “split” agree and allocate among themselves the initial opportunity for only one member to negotiate and conclude a license agreement for a particular film with that film’s distributor. Plaintiff alleged that distributors were aware of and acquiesced in the “split” arrangement, and that distributors had the power to force a termination of the arrangement if they so desired. The court rendered judgment for the plaintiff, concluding that the “split” was not unlawful under the Sherman Act because it did not constitute a *per se* violation of that Act, and was not unreasonably restrictive of competitive conditions. The decision did not purport to pronounce upon the ultimate legality or illegality of any particular “split,” but only to stand for the proposition that an evaluation of the legality of this particular “split” must be structured under the rule of reason.) 511 F.Supp. 1046 (W.D. Va., Feb. 20, 1981).

PATENTS:

Diamond v. Diehr. (Patent applicants had developed a process of constantly measuring temperature inside the press used to mold uncured synthetic rubber into cured precision products. The temperature measurements are continually fed into a computer that repeatedly recalculates the cure time by use of a mathematical equation and then signals a device to open the press at the proper time. The Patent and Trademark Office Board of Appeals upheld the patent examiner’s rejection on the ground of nonstatutory subject matter under 35 U.S.C. 101. The Court of Customs and Patent Appeals *reversed* the decision, and on a grant of certiorari, the Supreme Court *affirmed*, stating that an industrial process of the kind involved here falls within the category of possibly patentable subject matter, notwithstanding the fact that in several steps of the process a mathematical equation and a programmed digital computer are used.

On the other hand, noted the Court, an idea in itself is not patentable, and the same is true of an abstract fundamental truth, such as a law of nature, or a mathematical formula, for example. The decision was based on the Court’s view that the patent claims involve no more than a process for molding rubber products and do not represent an attempt to patent a mathematical formula. The requirements of section 101 are satisfied when a claim containing a mathematical formula implements or applies that formula in a structure or process which, when considered as a whole, is performing a function which the patent laws were designed to protect.) 450 U.S. 175, 101 S.Ct. 1048, 67 L.Ed.2d 155, 209 USPQ 1 (U.S. Sup. Ct., Mar. 3, 1981), *aff’d* 602 F.2d 982, 203 USPQ 44 (C.C.P.A., Aug. 9, 1979).

PRIVACY, RIGHT OF:

Clark v. Celeb Publishing, Inc. (Diversity action was brought against magazine publisher and others by professional model and actress for the unauthorized use of her photographs and invasion of privacy. After entry of default judgment against the publisher, the court awarded plaintiff both compensatory and punitive damages as allowed by California law which would have been applied by a New York court in a tort case of this kind. All of the injuries allegedly suffered as a result of the wrongful publication occurred in California where the plaintiff resided. An award of compensatory damages included \$25,000 for mental anguish suffered as the result of the unauthorized publication of her photographs on the cover of and in advertisements for what could be fairly characterized as a low quality and very explicit pornographic magazine. In addition to other compensatory damages resulting from the misappropriation of plaintiff’s image in commercial advertisements, the court *held* that the plaintiff was entitled to \$25,000 in punitive damages on the basis of a sufficient showing of malice.) 530 F.Supp. 979 (S.D.N.Y., Dec. 2, 1981).

Dresbach v. Doubleday & Company, Inc. (Brother of individual who murdered his parents sued the author and publisher of a book concerning the murders for invasion of privacy and libel. Summary judgment was granted defendants on the privacy claim as to

PRIVACY, RIGHT OF — Continued

truthful material appearing in the book. Plaintiff cannot prevail, noted the court, on a theory that the subject matter of the book had become private with the passage of time. Similarly, he cannot object to republication of matters in the public record of the trial and related proceedings, no matter how private or offensive, since information in the public record is absolutely privileged. As to the false light invasion of privacy claim, summary judgment was granted defendant publisher where the author was reputable and the publisher independently substantiated all potentially libelous matters, completely reviewed the author's sources, conducted interviews, and completely verified all matters from public records. However, since issues of material fact existed as to whether the author was negligent and guilty of false light invasion of privacy, that issue was reserved for trial as against defendant author only.

On the issue of libel, summary judgment was likewise granted defendant publisher, but denied defendant author. As a private individual and not a public figure even at the time of the murder trial in 1961, plaintiff is required to prove negligence rather than actual malice in the publication of false and defamatory statements. The court observed that plaintiff did not play a pivotal role in his brother's trial and certainly did not voluntarily thrust himself into the forefront of the controversy so as to become a factor in its ultimate resolution. Moreover, a private individual is not automatically transformed into a public figure just by becoming involved in, or associated with, a matter that attracts public attention.) 518 F.Supp. 1285 (D.D.C., July 31, 1981).

PUBLICITY, RIGHT OF:

Winterland Concessions Co., d/b/a Winterland Productions v. Sileo, d/b/a Emo's T's. (Action for misappropriation of the right of publicity, and violations of the Lanham Act and Illinois Deceptive Trade Practices Act, was brought by exclusive licensee of a number of entertainers and musical groups for the unauthorized manufacture and sale of clothing bearing the names or likeness of the licensors. On motion for preliminary injunction, the court *held* that the right of publicity may be legally and validly transferred, and that this right was violated by the unauthorized printing on shirts of the names, trademarks and/or likenesses of plaintiff entertainers and musical groups. The defense raised of the First Amendment privilege of freedom of the press was dismissed on the grounds that the offending products are not newspapers, but shirts, and as such, not entitled to the privilege. Moreover, the First Amendment "is not a license to trammel on legally recognized rights in intellectual property." The unauthorized printing of shirts bearing the names, trademarks and/or likenesses of plaintiff entertainers and musical groups was also *held* to violate Section 43(a) of the Lanham Act (17 U.S.C. 1125(a)), irrespective of whether or not the marks in question were actually registered. The licensee was adjudged entitled to a preliminary injunction.) 528 F.Supp. 1201, 213 USPQ 813 (N.D. Ill., Nov. 9, 1981 — *As amended*, Mar. 24, 1982); *see also* *Winterland Concessions Co. v. Creative Screen Design, Ltd.*, 210 USPQ 6 (N.D. Ill., Oct. 20, 1980).

TRADE SECRETS:

Microbiological Research Corp. v. Muna. (Action to obtain injunctive relief and damages was brought by employer against its former employee who appealed from a trial court's judgment for plaintiff. In addition to reliance upon an employment contract which the appellate court found was superseded, plaintiff also relied upon the protection of its trade secrets as an alternative ground to sustain a permanent injunction. Acknowledging that a trade secret is a type of intellectual property, in effect, a property right in discovered knowledge, the court observed that it was the employer's burden to establish that the former employee's product is a copy of its own product, that its method of production was

TRADE SECRETS—Continued

secret, and that the former employee had used or intends to use confidential information acquired during his employment. On the other hand, upon termination of his employment, the employee is free to use his general knowledge, experience, memory, and skill, however gained, provided he does not use, disclose, or impinge upon any of the secret processes or business secrets of his former employer.

In *reversing* the trial court's verdict, the Supreme Court of Utah found insufficient evidence of trade secret information in the manufacture of certain diagnostic kits developed by defendant as an employee, and also that plaintiff had failed to sustain its burden of proof that the names and location of its customers constituted a trade secret, there being no evidence that by the nature of plaintiff's business extraordinary effort was involved in compiling a customer list. Moreover, ruled the court, the order enjoining defendant from soliciting any customer of whom he gained knowledge during his employment was overly-broad and constituted a restraint of trade.) 625 P.2d 690 (Utah Sup. Ct., Jan. 22, 1981).

TRADEMARKS, TRADE NAMES, AND UNFAIR COMPETITION:

McGinley, *In re*. (Unsuccessful applicant appealed from a decision of the Patent and Trademark Office Trademark Trial and Appeal Board affirming the examiner's rejection of the application to register a trademark and service mark because it comprises "immoral . . . or scandalous matter" within the meaning of Section 2(a) of the Lanham Act (15 U.S.C. 1052). The mark consisted of a photograph of a nude man and woman kissing and embracing in a manner appearing to expose the male genitalia, and is used for newsletters devoted to social and interpersonal relationship topics and social club services. The Court of Customs and Patent Appeals *affirmed*, holding that refusal to register does not affect appellant's right to use it, and hence does not abridge his First Amendment rights.

The court found the term "scandalous" as used in the Lanham Act sufficiently precise to satisfy constitutional requirements of due process, and noted that, because of its holding that the mark is "scandalous," it was not necessary to consider whether the mark is also "immoral." In making its determination, the Patent and Trademark Office need not inquire into the specific goods and services not shown in the trademark application itself, and thus its view regarding specific information disseminated by appellant's newsletter and the specific services provided by appellant are not relevant. The Congressional provision that marks comprising scandalous matter not be registered is not an attempt to legislate morality, in the court's view, but rather, "a judgment by the Congress that such marks not occupy the time, services, and use of funds of the federal government.") 660 F.2d 481, 211 USPQ 668 (C.C.P.A., Oct. 1, 1981), *aff'g* 206 USPQ 753 (Pat. Off. T.M. Trial & App. Bd., Dec. 26, 1979).

Superior Models, Inc. v. Tolkien Enterprises, a Division of Elan Merchandising, Inc. (Plaintiff, manufacturer of miniature metal figures bearing the fanciful names of characters created or popularized by Professor J.R.R. Tolkien in his books *The Hobbit* and the trilogy *The Lord of the Rings*, brought action for declaratory judgment against the exclusive licensee of certain contractual rights originating with Professor Tolkien and his British publisher, seeking damages and injunctive relief. It was undisputed that neither the names nor the books were under copyright protection in the United States; moreover, defendants' rights could not be validly based on the contracts unless the Tolkien names had acquired a secondary meaning before plaintiff began to use them.

The court found defendants' evidence insufficient to establish a secondary meaning, inasmuch as it failed to disclose any confusion or likelihood of confusion in the minds of purchasers of figurines concerning their source, sponsorship, or affiliation. The same would be true even if Professor Tolkien, his successors, and defendants had succeeded in popularizing the places and names used by plaintiff, and even if they had cultivated public

TRADEMARKS, TRADE NAMES, AND UNFAIR COMPETITION – Continued

acceptance of the places and names. Also, the court noted, defendants could not point to extensive advertising or indeed any advertising of the Tolkien names in connection with their production prior to the time plaintiff began using the names in connection with the sale of its products. Defendants' contentions based on common-law principles of unfair competition likewise failed to deter an award of summary judgment that plaintiff infringed no rights of defendants and was not guilty of unfair competition with respect to them, absent any showing that purchasers, real or prospective, would be misled or confused.

Cross-motions for summary judgment on the issue of federal antitrust violations were *denied*, since the court felt that a fuller development of the facts at a trial was necessary. On the issue of tortious interference with plaintiff's business relationships, summary judgment was *denied* plaintiff for failure to show resulting damage, and *granted* defendants on grounds that they acted in good faith belief that they were asserting and protecting bona fide rights and interests.) 211 USPQ 587 (D. Del., June 16, 1981); *modified*, 211 USPQ 876 (D. Del., Aug. 14, 1981).

Toho Co., Ltd. v. Sears, Roebuck & Co. (Foreign producer and distributor of movies and television cartoon series featuring the fictitious lizard-like monster Godzilla, and the exclusive domestic merchandising representative of the Godzilla name and character appealed dismissal of their trademark and unfair competition claims brought against manufacturer of garbage bags marketed under the name "Bagzilla," and carrying the legend "Monstrously Strong Bags." In *affirming* the earlier decision, the Court of Appeals found no confusion as to source or sponsorship of the garbage bags, noting that whereas defendant sells bags, plaintiffs produce or sponsor only literary works or toys. Moreover, defendant uses "BAGZILLA" instead of "GODZILLA," puts its name prominently on the packaged product, employs a humorous caricature of the monster rather than an exact copy, and makes use of different marketing channels.

Plaintiffs' common-law claim of trademark infringement failed under the applicable California law because the products at issue are unrelated and hence there was no likelihood of confusion. Similarly, the court found no basis for action either under the California anti-dilution or unfair competition statute, since defendant's use of "Bagzilla" did not impair the effectiveness of the name and image of plaintiffs' mark, and the mere copying of plaintiffs' trademark design could not be brought within the scope of the state law of misappropriation.) 645 F.2d 788 (9th Cir., May 18, 1981).

Vuitton et Fils, S.A. v. J. Young Enterprises, Inc. (Plaintiff appealed summary dismissal of its action for trademark infringement, false designation and description of origin, trademark dilution, and unfair competition. The principal issue was whether a fabric design used to decorate canvas luggage and related items is entitled to trademark protection or whether it is "functional" and hence not so entitled. The design consists of the initials "LV" superimposed one upon the other and surrounded by three floral symbols and is registered in the U.S. Patent and Trademark Office. The Court of Appeals *reversed and remanded* for trial on the factual question of functionality. If that question should be resolved favorably to plaintiff, then the trial court is to inquire as to whether plaintiff's mark has acquired secondary meaning. As the court pointed out, the physical details and designs of a product may be protected under the Lanham Act if these features are "non-functional" and have acquired a secondary meaning. On the other hand, no protection is available where the features are "functional," that is, they connote a purpose other than that of a trademark.

TRADEMARKS, TRADE NAMES, AND UNFAIR COMPETITION – Continued

Moreover, noted the court, a trademark which identifies the source of goods and only incidentally serves another function may still be entitled to protection. The mere fact that Vuitton's design covers the entire surface of its products is also not dispositive of the issue of functionality, in the court's view, there being no limitation on the percentage of a product's surface area which may be covered by a trademark. Defendants' contention that Vuitton's mark was not protectible because it is a simulation of the fleur-de-lis insignia of France was also rejected. Though a portion of the design resembles the fleur-de-lis, the fleur-de-lis is a traditional symbol of royalty rather than an "insignia" of France within the meaning of the Lanham Act, noted the court. The term "national insignia," as used in the statute, is restricted to official symbols of government.) 644 F.2d 769, 210 USPQ 351 (9th Cir., May 4, 1981), *rev'g* 208 USPQ 98, 44 C.O.Bull. 1160 (C.D. Cal., June 10, 1980); *see also* 609 F.2d 1335 (9th Cir., Dec. 26, 1979); *Vuitton et Fils, S.A. v. Eugene Handbag of California*, 210 USPQ 192 (C.D. Cal., Mar. 16, 1981).

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